Survey of Foreign Aid

History, Trends and Allocation

Hjertholm, Peter; White, Howard

Publication date:
2000

Document version
Early version, also known as pre-print

DISCUSSION PAPERS
Department of Economics
University of Copenhagen

00-04

Survey of Foreign Aid: History, Trends and Allocation

Peter Hjertholm
Howard White

Studiestræde 6, DK-1455 Copenhagen K., Denmark
Tel. +45 35 32 30 82 - Fax +45 35 32 30 00
http://www.econ.ku.dk

SURVEY OF FOREIGN AID:
HISTORY, TRENDS AND ALLOCATION*

Peter Hjertholm
Assistant Research Professor
Development Economics Research Group (DERG)
Institute of Economics
University of Copenhagen

and

Howard White
Fellow
Institute of Development Studies (IDS)
University of Sussex

* This is a revised version of a paper presented at a conference entitled *Foreign Aid and Development: Lessons of Experience and Directions for the Future*, held in Copenhagen, 9-10 October, 1998, organised by the Development Economics Research Group (DERG) at the Institute of Economics, University of Copenhagen. Comments from Paul Mosley and conference participants are acknowledged. The authors are also grateful for the data assistance provided by Jean-Louis Grolleau and the staff of the Development Assistance Committee of the OECD. The usual disclaimer applies.

Abstract: This paper (i) traces the historical origins of foreign aid, (ii) investigates trends in the volume, composition, allocation and quality of aid flows, and (iii) reviews the empirical literature on aid allocation. The paper concludes that, historically, aid has served a multitude of objectives. For some donors, the allocation and quality of aid have been largely shaped by concern for the development needs of recipients. By contrast, the foreign aid of some larger donors has been used principally as a foreign and commercial policy tool. Yet while this particular character of aid flows may well have impaired the effectiveness of aid, there is no automatic contradiction between donor and recipient objectives. Perhaps the most important change in the aid picture is the reversal after 1992 of the historic upward trend in aid volumes. This may not be a problem when smaller aid flows are compensated by private flows, as has happened in several developing countries. Yet it may be a problem in low-income countries without access to private capital, which continue to rely on aid for financial resources. The underlying premises of donor-recipient cooperation are very different when aid resources become more limited, especially when debt service is still a factor of significance. The need to keep objectives and rationales clear turn out to be even more important.

1. Introduction

Aid is an international operation channelling tens of billions of dollars to developing countries each year and employing hundreds of thousands of people in a multitude of organisations.[1] This paper first describes how aid has grown through various stages, from modest origins in the nineteenth century to being securely established following the Second World War, fuelled by the inertia of institutions created in the aftermath of the war (including the success of the Marshall Plan), the cold war and the wave of independence in the 1940s and fifties. Since then, further changes have taken place in institutions (the rise of multilaterals in the 1970s and NGOs in the eighties), types of aid (the decline of food aid and the rise and fall of financial programme aid) and aspects of donor ideology (mainly the perceived role of the state). We then go on to describe in more detail the main features of aid and how they have changed over time, considering volume, composition, allocation, financial terms and tying (section 3). Section 4 gives a more extended analysis of the allocation of aid, considering three questions: (i) how well is aid allocated, (ii) why is aid allocated as it is, and (iii) how should it be allocated? Section 5 concludes.

2. History of foreign aid

In this section we argue that, despite many changes over the years, there has been one constant in the history of aid, namely that the development objectives of aid programmes have been distorted by the use of aid for donor commercial and political advantage. This is not to say that aid has never been used for development nor achieved any beneficial effects, but this statement is conditioned by the firmly modernist ideological stance of donors: they tend to believe there is a single model of development based on a particular conception of Western

[1] No figures exist for how many people are directly employed in the aid business: one of the largest institutions, the World Bank, alone employs thousands of people and over 40,000 aid-financed expatriates are estimated to be working in Africa.

liberal democracy. We seek to illustrate these points in the following chronological discussion of the history of aid, following which we draw out some main issues. A summary chronology is presented in Table 1 and a schematic presentation in Table 2.

THE ORIGINS OF FOREIGN AID

The roots of aid can be traced to at least the nineteenth century.[2] Two events in the history of US overseas aid (shown in the chronology in Table 1) at different ends of that century exemplify the tension in aid programmes between relief and assistance (illustrated by the 1812 Act for the Relief of the Citizens of Venezuela) and attempts to serve donor commercial or political objectives (illustrated, beginning in 1896, by the conscious use of US food surpluses for market development). The same conflict is evident in the early years of UK assistance: the 1929 Colonial Development Act allowed for loans and grants for infrastructure, the purpose of which was explicitly seen as obtaining inputs for British manufacturing. The 1940 Colonial Development and Welfare Act expanded the programme to allow funding of social sector activities, but the Minister of Food in the post-war Labour government stated that "by one means or another, by hook or by crook, the development of

[2] Since our argument in this chapter is that aid programmes have always been hindered by their use for the political or commercial advantage of the donor, one could plausibly trace 'aid' back to gifts from one king or ruler to another in medieval or even classical times. But there is a difference in that aid as mentioned here was also seen as a general benefit to the population of the recipient country and that some continuity can be established with the present-day aid infrastructure.

Table 1: Chronology of foreign aid.

1812	US Congress passes Act for the Relief of the Citizens of Venezuela.
1870s	First discussions in UK of official finance for colonies under Chamberlain.
1896	Transfer of food surplus (under Ministry of Agriculture) begins from US with intention of developing new markets.
1918-	Following WWI US ships 6.23 million tonnes of food aid to Europe, leading to 1933 Act.
1929	First UK Colonial Development Act.
1933	Agricultural Adjustment Act (price support scheme operated through Commodity Credit Corporation) marked beginning of systematic shipments outside of emergency situations.
1942	Formation of United Nations (formally came into being in 1945).
1943	Formation of UN Relief and Rehabilitation Administration (UNRRA).
1944	Bretton Woods conference. Formation of Oxfam and CARE.
1946	Formation of Unicef.
1947	Launching of Marshall Plan (approximately 25 per cent of assistance under Marshall Plan was food, feed and fertilizer and so, as Marshall aid came to a close, US farmers lobbied for continuation of food aid, resulting in 1954 Act creating PL480).
1949	UN establishes Expanded Programme of Technical Assistance (EPTA).
1950	Colombo Plan launched. In US: Act of International Development and Truman's 'Point Four' speech.
1950s	Growth of Community Development Movement (CDM).
1951	US Mutual Security Act. un recommends creation of SUNFED.

...continues

Table 1 (continued): Chronology of foreign aid.

1954	Agricultural Trade Development and Assistance Act (PL480). Section 2 states: "It is hereby declared to be the policy of Congress to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American Agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States, and to stimulate the expansion of foreign trade in agricultural commodities produced in the United States..." (In its first decade PL480 financed about 30 per cent of US agricultural exports).
1955	First meeting of non-aligned movement.
1956	Khrushchev announces expanded Soviet aid programme. Soviets take over funding of Aswan Dam in Egypt.
1958	Formation of India Aid Consortia by World Bank and five main donors.
1959	UN Special Fund starts operations. Creation of IADB.
1960	Establishment of IDA under World Bank auspices. Formation of Development Assistance group (renamed Development Assistance Committee, DAC, in 1961).
1961	Kennedy launches Alliance for Progress.
1963	Clay Report heralds reduction in US aid. Creation of World Food Programme (WFP) - major multilateral channel for food aid, but only for projects. WFP has been an important pressure for developmental uses of food aid.
1965	UN Special Fund and EPTA merged to form UNDP.
1966	PL480 linked to development assistance.
1968	DAC agrees definition of official development assistance (ODA) (see footnote 10).

...continues

Table 1 (continued): Chronology of foreign aid.

1969	Pearson Report proposes 0.7 per cent target for ODA volume.
1973	Robert McNamara speech launches World Bank reorientation towards poverty.
1975	International Development and Food Assistance Act (75 per cent of PL480 to countries with per capita income of less than US$300). First Lomé convention (framework for EC-ACP aid).
1980	First structural adjustment loans (SAL).
1982	'Start' of debt crisis.
1987	Launch of Special Programme of Assistance for Africa (SPA). Publication of Unicef-sponsored study Adjustment with a Human Face.
1989	World Bank launches governance agenda.
1990	'End' of cold war. First Human Development Report (UNDP) and World Development Report (World Bank) on poverty: More obvious shifts in donor policy toward poverty reduction.
1994	Copenhagen Summit: 2020 initiative and formulation of what have become 'DAC targets'.
1996	World Bank and the IMF jointly launch a debt relief initiative for the heavily indebted poor countries (HIPC).
1997	Several donors issue white appears or other policy documents embracing partnership.

primary production of all sorts in the colonial area... is... a life and death matter for the economy of the country" (quoted in Gupta 1975: 320). One Labour MP went so far as to call for the rapid development of the colonies so that the UK could become independent of the US (ibid.: 321).[3]

[3] Gupta argues that there were, however, forces in both the Colonial Office and amongst Labour MPs that held this drive to exploitation somewhat in check.

Table 2: Schematic overview of main developments in the history of foreign aid.

	Dominant or rising institutions	Donor ideology	Donor focus	Types of aid
1940s	Marshall Plan and UN system (including World Bank).	Planning.	Reconstruction.	Marshall Plan was largely programme aid.
1950s	United States, with Soviet Union gaining importance from 1956.	Anti-communist, but with role for the state.	Community Development Movement (CDM).	Food aid and projects.
1960s	Establishment of bilateral programmes.	As for the fifties, with support for state in productive sectors.	Productive sectors (e.g. support to the green revolution) and infrastructure.	Bilaterals gave technical assistance (TA) and budget support; multilaterals supported projects.

Note:

Entries are main features or main changes. There are of course exceptions.

...continues

Table 2 (continued): Schematic overview of main developments in the history of foreign aid

	Dominant or rising institutions	Donor ideology	Donor focus	Types of aid
1970s	Expansion of multilaterals (especially World Bank, IMF and Arab-funded agencies).	Continued support for state activities in productive activities and meeting basic needs.	Poverty, taken as agriculture and basic needs (social sectors).	Fall in food aid and start of import support.
1980s	Rise of NGOs from mid-eighties.	Market-based adjustment (rolling back the state).	Macroeconomic reform.	Financial programme aid and debt relief.
1990s	Eastern Europe and FSU become recipients rather than donors; emergence of corresponding institutions.	Move back to the state toward end of the decade.	Poverty and then governance (environment and gender passed more quickly).	Move toward sector support at end of the decade.

Note:

Entries are main features or main changes. There are of course exceptions.

The continued support of colonial powers, notably Britain and France, to their colonies in the post-war period is one of the three main features of the international assistance scheme in that period. There was considerable continuity from colonial to post-colonial institutions (an obvious example being the renaming of the Colonial Development Corporation as the Commonwealth Development Corporation in the sixties) and aid-financed efforts drew from the experience of both British and French authorities (as in the case of the Community Development Movement).

A major basis for the development of today's aid machinery was international activities in the wake of the Second World War. Indeed, several institutions developed from organisations originally created to cater for the aftermath of war: Oxfam first catered for refugees from Greece and CARE was originally the Centre for American Relief in Europe (the Europe later became Everywhere). The development work of the UN began with the United Nations Relief and Rehabilitation Agency (UNRRA) founded during the war (1943), and the World Bank, whose full name is the International Bank for Reconstruction and Development, began with loans for reconstruction, making its first loan to a developing country only in 1950 (to Colombia). The final post-war institution of importance was the Marshall Plan, whose evident success was seen as a model for development elsewhere, and echoed in the donor coordinated effort the Colombo Plan for South and South-Eastern Asia (though the similarities mostly stop there).

A final feature of the post-war international scene of importance was the first wave of independence, creating a constituency for aid. The first meeting of the non-aligned movement in 1955 gave a focus to this voice, as did the various organs of the UN, notably UNCTAD. However, as argued below, whilst its existence is the rationale for aid, the recipient community has not been successful in their attempts to affect aid policy.

Despite the existence of multilateral programmes, bilateral technical assistance to independent countries (mostly in Asia under the Colombo Plan) and even the emergence of the Soviet Aid programme in 1956, the 1950s may be described as a decade of US hegemony, as it alone accounted for 2/3 of total aid in that decade. Although the programme was subject to continued commercial pressures (especially in the use of food aid), the intensification of the cold war gave US aid a strongly strategic orientation, which it has retained to this day. Although the US aid programme was launched by Truman in his 'Point Four' speech in 1950, the same year as the International Development Act, in fact most US aid was released under the tellingly-named Mutual Security Act of the following year. Aid was quite consciously used to stop countries "going communist", and development aid and military aid mixed as necessary.

By the mid-fifties, discontent was growing in the US over the aid programme on two counts.[4] First, some, such as Milton Friedman, argued that attempts to buy political support did not work; and, since aid went to governments, it was more likely to encourage communisation than prevent it. Second, if efforts to stave off communism were successful then the benefits from this effort accrued to all members of the Free World so that there should be an equal sharing of the burden amongst those countries.

US pressures for burden sharing were one factor behind the establishment of bilateral aid programmes at the end of the fifties and in the 1960s, and was the impetus behind the formation of the Development Assistance Group in 1960 (becoming DAC in 1961) to monitor aid performance and the later adoption of the 0.7 per cent volume target. Another force behind the emergence of bilateral programmes was the second wave of independence in the 1960s, as well as the troubled financial state of some already independent countries (notably

[4] Some authors suggest 'aid fatigue' to be a new phenomenon, but it is easy to find evidence of it since almost the start of aid programmes.

India). Finally, new donors emerged as they either or both recognised the benefits to be had from an aid programme or from their humanitarian motives.

Changes were also taking place in the form of aid. In the 1950s the Community Development Movement (CDM), a forerunner of the Integrated Rural Development Projects of the 1970s, had received substantial support from the US. The participatory nature of CDM was deliberately intended to counter revolutionary sentiments. But it fell into disrepute by the 1960s, especially as Green Revolution technology promised to stave off the looming food shortage in the Asian sub-continent. Although ex-colonial powers gave budget support to former colonies for a period, their preference was to switch to project aid as was being practised by the new bilateral donors. Projects were largely in infrastructure (often 'big infrastructure') though during the course of the decade donors came to accept that they would also support joint ventures and 100 per cent publicly owned enterprises.

FROM POVERTY TO ADJUSTMENT AND BACK AGAIN

The 1970s saw two conflicting trends: the first oil price shock and falling commodity prices required quick disbursing assistance (QDA) which was made available in the first instance by the IMF, then by the emergence of import support aid, and by 1980 the start of World Bank structural adjustment loans (which are programme aid). These facts are part of the explanation for the increasing share of multilateral aid in the 1970s. But at the same time donors announced a reorientation towards a greater poverty focus: notably the World Bank under (then) President Robert McNamara, but also amongst bilateral donors, such as the UK white paper More Aid for the Poorest in 1975 (ODM 1975) and the US International Development and Food Assistance Act of the same year, which stipulated that 75 per cent of PL480 aid should go to countries with a per capita income less than US$300.[5]

[5] PL (public law) 480 food aid refers to the *Agricultural Trade Development and Assistance Act* (not to be confused with the *Agricultural, Trade and Development Assistance Act*) passed in the United States in 1954, which marked the inception of formal food aid programmes. While publicly announced at the time as a benign response to developing country needs, its primary purpose, as the name betrays, was to help develop new markets for surplus US agricultural output.

Although the poverty focus enjoyed a brief period of ascendancy in the late 1970s, the emergence of balance-of-payments problems at about the same time and the emergence of the debt crisis in the 1980s resolved this conflict in favour of adjustment and aid to adjustment (programme aid, including debt relief). As such, the emergence of adjustment lending was not a response to a 'development crisis'. In general there was no such crisis, although some African countries had begun a downturn. Rather it was a response (though not exclusively) to balance-of-payments and debt problems, and the attendant risk of financial crisis in developed countries (i.e. as a means to avoid collapse of the commercial banks involved). The experience thus clearly illustrates how the aid programme may readily respond to the needs and interests of the major donors.[6] The initial focus on macroeconomic policy also gave the World Bank and the IMF, particularly the former, a pre-eminence they had not enjoyed before (hence the expression the 'Washington Consensus'). The World Bank is without doubt the most important development institution, leading both policy dialogue and increasingly the research agenda. Economic crisis in the West and changes in government also led some donors - again the UK is an example - to be more open about their intention to use their aid programme for their own commercial benefit (apparently not noticing the contradiction between this stance and the free market philosophy they espoused).

The eclipse of poverty was not without its critics, which found their most effective voice first in the Unicef report State of the World's Children (Grant 1990) and the Unicef-financed Adjustment with a Human Face (Cornia et al. 1987). These works argued that adjustment policies neglected the poor and should be redesigned accordingly.[7] By the late 1980s these arguments were having some effect and the World Bank began work on designing a poverty policy (assisted by the then President, Barber Conable, who emphasised the issue), which culminated in the 'New Poverty Agenda' in the 1990 World Development Report (World Bank 1990). This publication is often given as the starting point for poverty reappearing on the

[6] The differing responses of Western governments to the financial crises in East Asia and the natural disasters in Central America in late 1998 brings this point home very strongly.

[7] However, the authors of *Adjustment with a Human Face* did accept the need for adjustment, and did not argue that adjustment policies had necessarily harmed the poor.

agenda of donor agencies (and agencies have based their strategies on that of the World Bank), providing an example of how the World Bank can 'take over' activities as the original initiative came from elsewhere and was initially resisted by the World Bank.

POST-COLD WAR ERA AND DONOR DOMINATION

The end of the cold war may be expected to have heralded great changes for aid. There have been rather less (and different) changes than many expected, however. For example, aid budgets have declined throughout the 1990s, rather than growing as a result of the peace dividend as hoped. There have been two changes of note though. First, the disappearance of Eastern Europe and the countries of the Former Soviet Union as aid donors and their re-emergence as recipients. Second, donor concerns about governance. Although still inconsistently applied, donors have now awarded or withdrawn aid on the basis of governance issues, whereas in the cold war period they happily supported any 'friendly regime' (friendly to the West, not necessarily the bulk of the country's inhabitants). Some countries of former strategic importance are no longer so, and have seen their aid fall accordingly.

On the other hand, there has also been remarkable continuity in aid programmes. There were arguments in the early 1990s that aid would wither away, and be replaced by financing on issues of global importance such as the environment and international security. This does not appear to have happened, and there are not strong reasons to think that it is about to do so. It may be imagined that the low-income countries of the world, such as those in sub-Saharan Africa and South Asia, will continue to receive aid for some years to come - making issues of aid effectiveness of continuing importance.[8]

Donors have, as noted, tended to dominate the aid scene. A number of examples may be given. Since 1951 there was a campaign for a soft-loan Special UN Fund for Development (SUNFED), which was not realised, as the donors preferred instead to place the International Development Agency (IDA) under the World Bank. The UN applies one-country one-vote

[8] For recent contributions to the aid effectiveness debate, see Hansen and Tarp (2000), Lensink and White (1999), World Bank (1998) and Burnside and Dollar (1997).

whereas the developed countries dominate the Bank. The donor's club (DAC), which is responsible for monitoring aid performance, has no developing country members (even as observers); UNCTAD made several attempts to wrest control of aid policy from DAC but was unsuccessful. The main country-level co-ordinating mechanism are Consultative Groups (or Round Tables) at which the donor community presents the recipient with a report card and their latest concerns and conditions. The donor co-ordinating body for support to adjustment in Africa, the Special Programme of Assistance for Africa (SPA), has no African representation. Yet, it does not have to be like this. The Marshall Plan was administered by a committee (Organisation for European Economic Co-operation, OEEC, the forerunner of the OECD), in which the donor had no special position over the recipients. Nevertheless, donors have not been willing to relinquish control of their aid programmes to developing countries. Although donors increasingly talk of partnership, and the need for recipient ownership, they in fact are reluctant to allow recipients more than a limited role.

A partial reason for this reluctance is in all likelihood the desire of donors to utilise aid for their own ends; a factor that also helps explain the persistence of bilateral aid despite widely aired arguments in favour of multilateral institutions. These ends are both political and commercial and affect who gets aid and what it may be used for. Hence, as described in section 4, donors clearly do not allocate aid solely according to developmental criteria. This subordination of aid to other donor objectives is, however, at odds with the notion of policy coherence (or consistency), which has been adopted by several donors in the second half of the 1990s.

Donor domination has also affected the largely modernist development thinking, which has been the basis of aid programmes. Hence, it has been accepted that there is a conception of the ideal societal state - basically Western liberal democracy, though the conception of this has changed over time - to which developing countries should aspire. The donor community has done little to support the search for alternative models of development and even less to promote them.[9]

[9] See Thorbecke (2000) for recent overview of changes in development thinking since the fifties, and the varying role played by foreign aid.

3. Aggregate trends in foreign aid

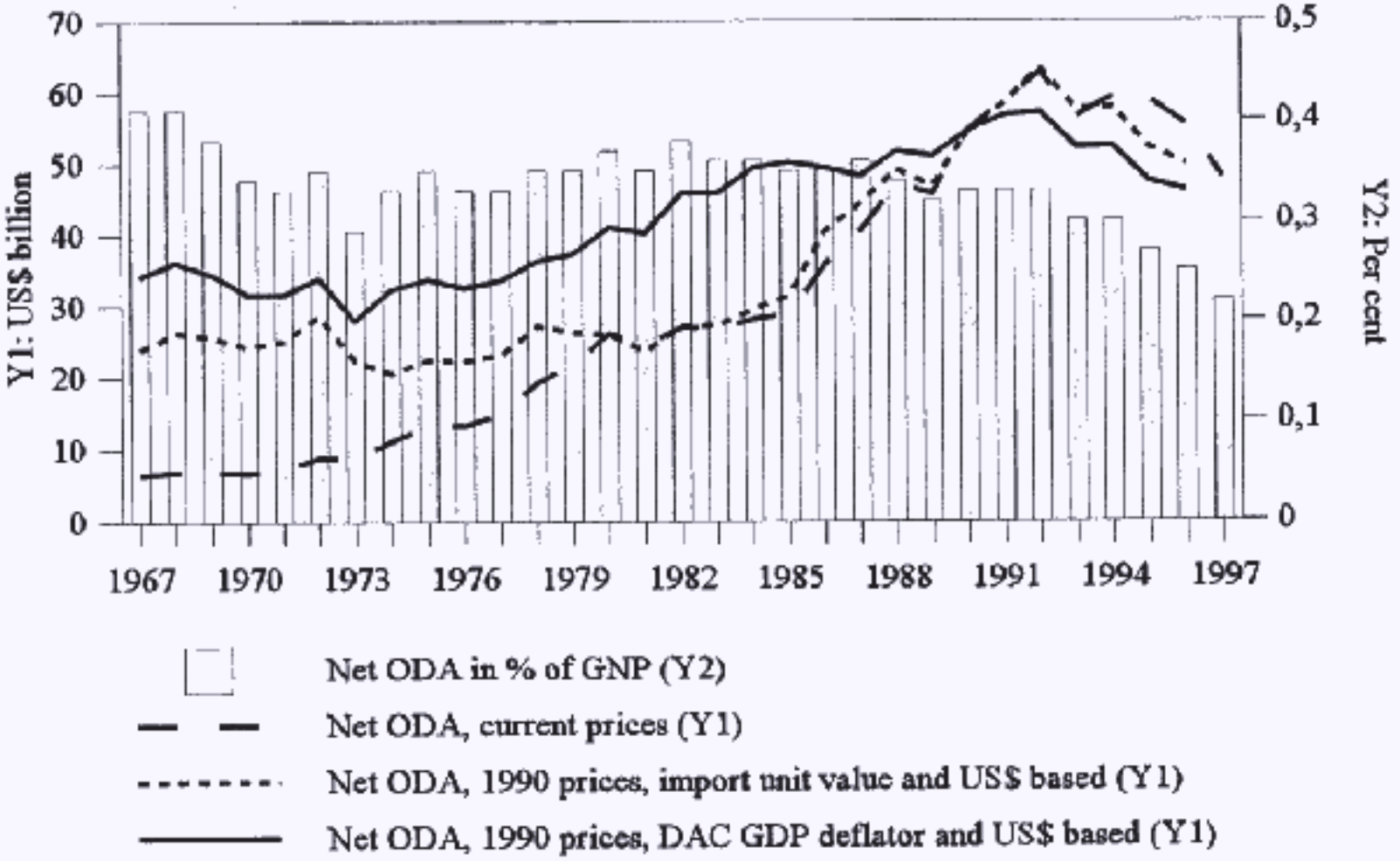
AID VOLUME AND ITS COMPONENTS

Historic trends. Aggregate trends in official development assistance (ODA) to developing countries are presented in Chart 1, stretching back to 1967 (full data are given in Appendix A).[10] Since the early 1970s, there has been a clear upward trend in the real value of foreign aid peaking in 1992. Since then, however, aid volumes have seen a marked downfall. In 1997, aid in current prices stood at only US$47.9 billions, a drop of 23.7 per cent compared to 1992 (US$62.7 billions). When measured in constant 1990 prices (in terms of US$), aid dropped by 21.2 and 19.2 per cent from 1992 to 1996, using the developing country import unit value index and the DAC GDP deflator respectively. OECD (1998d) has reported a further drop in real terms of 7.1 per cent from 1996 to 1997 (GDP deflated), so that real net ODA in 1997 was actually lower than in 1984.

As described in section 2 above, this turnaround in aid flows in the 1990s has followed the end of the cold war. New interests, problems and obligations successfully competed for the energies and financial resources of the industrial world. Donors also argued that a further factor was pressure on the national budgets of donors. A study undertaken by OECD (reported in OECD 1997) showed that aid had fallen fastest in those DAC members (e.g. Sweden, Italy and Finland) which had been running the largest fiscal deficits while, by contrast, the members with the smallest deficits (e.g. Norway, Japan and Ireland) all had increased their aid in real terms. However, whilst by 1997 the average budget deficit amongst DAC donors had been

[10] ODA is defined by the Development Assistance Committee (DAC) of the OECD to include grants or loans to developing countries and territories which are: (i) undertaken by the official sector of the donor country, (ii) with promotion of economic development and welfare in the recipient country as the main objective, and (iii) at concessional financial terms (i.e., if a loan, have a grant element of at least 25 per . In addition to these financial flows, technical co-operation is included in ODA, while grants, loans and credits for military purposes are excluded, regardless of their concessionality.

Chart 1: Net ODA disbursements, DAC donors, 1967-97



Sources: Appendix A and German and Randel (1998: 6).

reduced to 1.3 per cent of GDP, compared to 4.3 per cent four years earlier, aid has continued to fall (German and Randell 1998: 11).

For the reasons discussed previously, the share of multilateral aid has risen from about 23 per cent in the 1970s to nearly 30 per cent in the 1990s (see Table 3).[11] Leading multilateral donors include the World Bank (which has expanded its policy advisory role in the developing world side by side its increased financial involvement), the UN agencies (notably the UNDP) and the Commission of the European Communities (CEC). A further change is the increasing share of grant aid: more than three-quarter of total ODA has been in the form of grants in the period 1991-96, compared to just over 60 per cent two decades earlier (Table 3). Appendix D gives further details (for the 1987-96 period) on aid types, where in particular the high share of bilateral aid provided in the form of technical assistance (more than 20 per cent of total ODA in recent years) should be noticed.[12]

[11] The share of multilateral aid going to sub-Saharan Africa has increased even more, to more than 40 per cent by 1994-96 (see Appendix C).

[12] Please note that the disaggregated data produced in Appendix D is drawn from OECDs *DAC On-line Database*, leading to some (small) discrepancies in relation to the data in Table 3.

Table 3: Net ODA disbursements, by type and donor, all donors, 1973-96 (per cent)

	Average share 1973-80	Average share 1981-90	Average share 1991-6
ODA type			
ODA grants	61.6	71.1	77.4
ODA loans	38.4	28.9	22.6
Total	100.0	100.0	100.0
Donor			
Bilateral ODA [a]	77.2	75.4	70.1
Multilateral ODA	22.8	24.6	29.9
o.w. IBRD and IDA	5.6	7.7	8.3
o.w. IMF (SAF and ESAF)	0.0	0.1	1.3
o.w. United Nations Agencies	7.5	8.6	9.6
o.w. CEC	3.4	4.4	7.2
o.w. Other	6.3	3.8	3.5
Total	100.0	100.0	100.0

Notes: There may be (small) discrepancies between the data shown here and the disaggregated data produced in Appendix D, since the data in Appendix D is drawn from OECDs DAC On-line Database (OECD 1998b). [a] Including Arab donors.
Sources: Appendix B, except data for details on multilateral ODA, which is drawn directly from OECD (1998a).

The relative importance of ODA amongst financial flows has changed over time. There are four main components to official and private flows: (i) official development assistance (ODA), (ii) other official flows (OOF, consisting of bilaterally and multilaterally channelled flows related to, e.g. export and investment transactions), (iii) private flows channelled bilaterally and multilaterally at market terms (e.g. foreign direct investment and commercial bank loans), and (iv) grants from non-governmental organisations (NGOs). In Table 4 these four components are displayed for the developing countries as a whole.[13] To a considerable extent, the decline in ODA flows after 1992 has been compensated by an impressive increase in private flows, which followed in the wake of fading debt (and other economic) problems in a number of the larger debtor countries (mainly middle-income countries in Latin America and, until recently, parts of Asia). In fact, the surge in private flows has meant that these have become (since 1993) by far the most important source of financial flows to the developing countries as a whole. After having accounted for more than 70 per cent of all net disbursements to the developing countries at its peak in 1990, the share of ODA has since steadily declined to only a rough third of net disbursements in 1996-97. Correspondingly, since other official flows (e.g. export credits) and NGO grants have remained (in relative terms) rather insignificant, the share of private flows in net disbursements have soared from a nadir in 1990 of only about 12 per cent to around 60 per cent in 1996-97.[14] This represents a rather

[13] Note that ODA levels are somewhat higher in Table 4 than in Chart 1, since Table 4 shows aid from all donors, not just DAC donors.

[14] In terms of foreign exchange, ODA flows could also illustratively be compared against the revenue earned through exports of goods and services. In 1996, for instance, ODA net disbursements of US$61.7 bn to developing countries remain quite small when set against developing country merchandise exports worth US$1, (export data from IMF 1998).

Table 4: Total official and private flows to developing countries, net disbursements, all donors, 1987-1997.

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Net disbursements, current prices (US$ billions)											
Official development assistance, ODA	42.6	50.0	48.4	57.4	65.0	68.4	61.6	64.9	65.0	61.7	52.9
Other official flows, OOF	1.8	4.4	5.5	8.9	7.2	9.3	7.9	10.5	10.0	5.9	3.3
Private flows	17.3	25.7	32.0	9.9	25.7	34.3	65.3	90.2	89.2	130.4	88.5
Grants from NGOs	4.0	4.2	4.0	5.1	5.4	6.0	5.7	6.0	6.0	5.6	3.1
Total	65.7	84.3	89.9	81.3	103.3	118.0	140.5	171.6	170.8	203.6	147.8
Net disbursements, shares of total (per cent)											
Official development assistance, ODA	64.8	59.3	53.8	70.6	62.9	58.0	43.8	37.8	38.1	30.3	35.8
Other official flows, OOF	2.7	5.2	6.1	10.9	7.0	7.9	5.6	6.1	5.9	2.9	2.2
Private flows	26.3	30.5	35.6	12.2	24.9	29.1	46.5	52.6	52.6	64.0	59.9
Grants from NGOs	6.1	5.0	4.4	6.3	5.2	5.1	4.1	3.5	3.5	2.8	2.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: OECD (1998b).

Table 5: Total official and private flows to sub-Saharan African countries, net disbursements, all donors, 1987-1996.

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Net disbursements, current prices (US$ billions)										
Official development assistance, ODA	12.7	14.4	15.3	17.9	17.7	19.1	17.3	18.9	18.5	16.7
Other official flows, OOF	2.8	2.0	2.1	2.7	1.2	1.6	0.9	1.0	0.1	-0.2
Private flows	-0.1	-1.0	1.7	-1.1	-0.5	-0.1	0.6	-0.6	2.6	3.5
Grants from NGOs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	15.4	15.4	19.1	19.5	18.4	20.6	18.8	19.3	21.2	20.0
Net disbursements, shares of total (per cent)										
Official development assistance, ODA	82.5	93.5	80.1	91.8	96.2	92.7	92.0	97.9	87.3	83.5
Other official flows, OOF	18.2	13.0	11.0	13.8	6.5	7.8	4.8	5.2	0.5	-1.0
Private flows	-0.6	-6.5	8.9	-5.6	-2.7	-0.5	3.2	-3.1	12.3	7.5
Grants from NGOs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: OECD (1998b).

dramatic change in the taxonomy of financial flows to developing countries, or, to be more precise, to some developing countries.

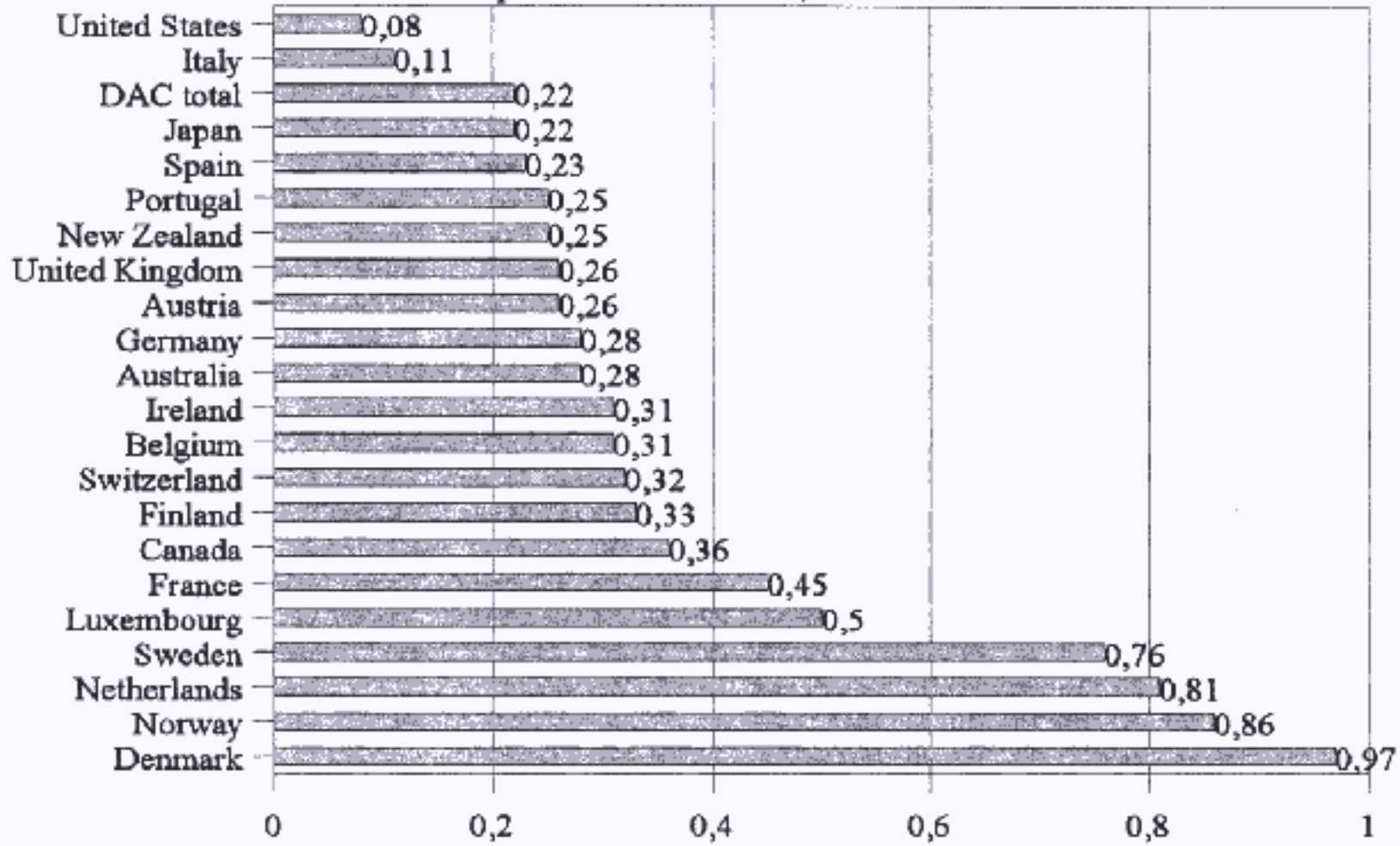
For, if geography and income levels are taken into account, a somewhat different picture emerges. Table 5 shows the same breakdown by type of flow for the sub-Saharan African countries, where a large segment of the world's poorest nations are located. As was the case for the developing countries as a group, net ODA flows to sub-Saharan countries also peaked in 1992 with US$19.1 bn, and then declined, although net disbursement at the end of the period were still larger (but only just) than in 1987. But since private creditors and investors have been much more reluctant to increase their exposure in the sub-Saharan region, in part because of remaining debt problems and in part because of an uncertain macroeconomic environment, the shortfall in ODA flows has not been compensated by higher private flows. In fact, in several years during 1987-96, because previous private debt was still being serviced while no or only negligible new private capital was being attracted, private flows were negative. Consequently, without question, ODA has continued to be the predominant source of financial resources for the poorest developing countries in sub-Saharan Africa (and elsewhere), with ODA shares always well above 80 per cent of net disbursements.[15]

The donor effort. The aid volume effort of the international donor community can be seen from Charts 1 and 2, where net ODA disbursements are expressed as a ratio of donor GNP. As shown in Chart 1, for the DAC donors as a group, this ratio has nearly halved over the last three decades, and has been steadily declining since the early 1980s (from 0.38 in 1982 to 0.22 per cent in 1997). The UN-target of 0.70 per cent thus seems more remote than ever. The individual donor effort underlying the poor aid record of 1997 is presented in Chart 2 (with data since 1987 given in Appendix E). Only four countries, Denmark, Norway, Netherlands and Sweden, have reached (and surpassed) the UN-target of 0.70 per cent, in fact they did so a long time ago.[16]

[15] Even though data for grants from NGOs were not available, the inclusion of these relatively small amounts would not have altered this conclusion.

[16] In 1996, these countries (referred to below as UN-target donors) contributed almost 15 per cent of total net ODA disbursements.

Chart 2: Net ODA disbursements in percent of donor GNP, 1997



Source: Appendix E. Data from OECD (1998b).

While the Danish aid effort has continued its upward trend over the last decade,[17] however, the ODA/GNP ratios of the other 'UN-target donors' have declined somewhat, but remain very high by DAC standards. France and Luxembourg, with aid allocations in 1997 of 0.45 and 0.50 per cent of national GNP respectively, are the only two other donors which come anyway near toward meeting the UN-target, although the aid effort in these two countries have been characterized by different historical paths (see Appendix E). Thus, while Luxembourg has increased its ODA/GNP ratio significantly over the past decade, from 0.17 per cent in 1987 to 0.50 per cent in 1997, the ratio for France, after having almost reached the UN-target in the mid-1990s, has declined for three years in a row. As for the remaining donors (consulting again Appendix E), excepting Italy and the United States which appear to be disengaging from the aid business altogether,[18] the aid volume effort has followed a mixed path. The historic trend is increasing in a number of donors, notably Spain, Ireland and Portugal, and also in Austria and Switzerland, but otherwise decreasing.

COMPOSITION AND ALLOCATION OF AID

Sectoral composition. In Table 6, ODA commitments are presented as they have been allocated to the various (main) sectors and purposes in recipient countries (complete time-series data in Appendix F). A number of relatively clear allocative shifts have occurred during the period

[17] The drop of the Danish ODA/GNP ratio from 1996 to 1997 (from 1.04 to 0.97 per cent) is due to the introduction of the new system of national accounts (ENS 95) in 1997, leading to an upward adjustment of GNP, which together with other technical factors caused a downward adjustment in the final ODA/GNP ratio (OECD 1998d).

[18] This possibility was indeed actively discussed in the US but rejected.

observed. There has been a marked switch toward more aid for social infrastructure and services (e.g. education, health, water supply and sanitation), in particular after 1992, a reflection of the strengthened emphasis by donors on the developmental role of human resource capabilities. In recent years more than a quarter of ODA has been committed to this sector. Likewise, economic infrastructure and services (e.g. energy, transport and communications) has received increased attention and flows (rising to over 20 per cent 1991-97).

Table 6: ODA commitments by sector and purpose, DAC donors, 1973-97 (%).

	Av. share 1973-80	Av. share 1981-90	Av. share 1991-97
Soc. infrastruc. & serv.	20.8	25.0	26.2
Ec. infrastruc. & serv.	13.9	18.7	21.8
Production sectors	22.0	19.7	12.0
Multisec. (crosscut.)	2.2	3.0	4.7
Comm. & gen. pro. aid	14.2	16.2	10.0
Action relating to debt	3.7	4.3	8.8
Emergency assistance	1.1	1.7	5.3
Admin. costs of donors	n.a.	3.8 [a]	4.3
Support to NGOs	n.a.	2.2 [a]	1.3
Unallocated/unspec.	22.1	7.1	5.7
Total	100.0	100.0	100.0

Note: [a] Average numbers refer to 1984-90.

Source: Calculated from Appendix F. Data from OECD (1998b).

Direct donor involvement in the productive sectors, such as agriculture and industry (and related activities) as well as trade and tourism, has, on the other hand, diminished significantly in the 1970s and 1980s. The diminished role of aid in the area of production is in part explained by the increase in the 1980s of an ideological bias against direct support to the

productive sector. Also, at least in the better-off developing countries, the decline is related to the increased importance of private financing through e.g. foreign direct investments or bond and equity issues (OECD 1997). Programme assistance (including food aid), after having played an important role in the 1970s and 1980s, has been scaled down considerably (only 10 per cent in 1991-97). Finally, relative newcomers in the aid landscape, like multi-sector aid and (more permanent) debt relief have steadily expanded their share, accounting for around 5 per cent and 9 per cent of ODA commitments, respectively, during 1991-97.

Allocation across regions and income groups. The allocation of aid across geographical regions and income groups is presented in Tables 7 and 8 (data in Appendix G1-4). A number of points can be drawn from the data. First, regarding geographical allocation, the sub-Saharan region is, or has become of high priority (although the large number of countries in this region implies that aid money is also more thinly spread), with 30 per cent of total ODA going this way in 1991-6, and well over a third of ODA from UN-target donors (Denmark, Norway, Sweden and Netherlands). The priority given to the sub-Saharan region must be seen in the context of the deep-seated economic problems that have afflicted many countries in this part of the world since at least the early 1980s, in combination with a stronger emphasis on the 'poverty orientation' of aid on the part of donors. Other regions on the other hand (e.g. North Africa, the Middle East, and South and Central Asia), have seen the share of aid flows diminish, in part a reflection of their declining political and strategic importance for the allocational leitmotif of the larger powers.

Table 7: Net ODA disbursements, allocation by geographical region, all donors, 1973-96 (per cent).

	Net ODA from all donors			Net ODA from UN-target donors [a]		
	Average share 1973-80	Average share 1981-90	Average share 1991-96	Average share 1973-80	Average share 1981-90	Average share 1991-96
North Africa	12.7	7.8	7.3	2.7	1.8	1.2
Sub-Saharan Africa	19.8	28.4	30.0	33.9	41.3	36.6
South America	3.7	3.5	4.5	8.1	4.3	5.2
Middle East	13.8	10.4	6.7	0.8	1.5	3.2
South and Central Asia	16.9	14.5	11.7	22.9	18.2	11.2
Far East Asia	10.7	10.4	13.4	14.7	9.5	5.3
Other [b]	22.3	25.1	26.4	12.8	21.4	31.4
o.w. Europe	2.0	1.7	4.2	1.2	0.3	4.7
Total by region	100.0	100.0	100.0	100.0	100.0	100.0

Notes: [a] Denmark, Netherlands, Norway and Sweden. [b] Includes Europe, Oceania, Central America and geographically unallocated.

Source: Extracted from Appendix G1-2. Data from OECD (1998a).

Table 8: Net ODA disbursements, allocation by income groups, all donors, 1973-96 (per cent).

	Net ODA from all donors			Net ODA UN-target donors [a]		
	Average share 1973-80	Average share 1981-90	Average share 1991-96	Average share 1973-80	Average share 1981-90	Average share 1991-96
LLDCs [b]	22.8	28.0	26.3	31.9	37.7	33.9
Other low income [c]	18.4	19.5	24.0	30.5	25.9	18.6
Low middle income [d]	33.2	26.1	25.4	21.0	13.5	14.4
Upper middle income [e]	3.6	3.2	3.3	1.0	1.0	2.9
Higher income [f]	6.1	5.7	4.0	3.3	2.9	2.3
Unallocated	15.9	17.5	17.0	12.3	19.0	27.9
Total by income	100.0	100.0	100.0	100.0	100.0	100.0

Notes: [a] Denmark, Netherlands, Norway and Sweden. [b] Least Developed Countries. [c] Countries with per capita GNP<US$765 in 1995. [d] Countries with per capita GNP between US$766 and US$3035 in 1995. [e] Countries with per capita GNP between US$3036 and US$9385 in 1995. [f] Countries with per capita GNP>US$9385 in 1995.

Source: Extracted from Appendix G3-4. Data from OECD (1998a).

The lower shares of aid going to South America and Far East Asia is largely explained by the more pronounced extent of economic development as well as better access to alternative (in particular private) sources of finance. The allocation between income groups, to some extent closely related to the geographical pattern, shows some differences in donor priorities (Table 8). While donors at large have allocated just about even shares to the least developed countries (LLDCs), other low-income (LICs) and lower middle-income countries (LMICs) in 1991-96 (about a quarter of total ODA), the UN-target donors, during the same period, have allocated a substantially higher aid share to LLDCs compared to LICs and LMICs, in fact they have done so since the early 1980s. With respect to the allocational pattern among individual donors, section 4 below discusses in more detail the results and methodologies of the empirical aid allocation literature.

THE STRINGS ATTACHED: QUALITATIVE ASPECTS OF AID

When foreign aid is supplied to the recipient country, a number of formal conditions are usually attached. Four conditions are of particular importance (the 4Ps): payment, procurement, projects and policies. That is: (i) ODA loans are provided on the premise that the recipient country returns the money with interest according to the financial terms stipulated in the loan agreement, (ii) ODA grants and loans can be tied to procurement in the donor country or, in case of partial tying, in the donor country as well as a certain number of developing countries, (iii) ODA grants and loans may be tied for specific development projects under supervision of the donor, and (iv) in the case of programme aid, the money is committed and disbursed in accordance with the recipient country's compliance with an agreed set of policies vis-à-vis the domestic economy. Following White and Woestman (1994), the two latter Ps (project tying and policy conditionality) cannot be viewed as unambiguously bad features of aid delivery, and their occurrence thus cannot be taken to reflect good or bad donor performance. The two former Ps (payment and procurement), however, are generally seen (by development specialists, recipient country governments and many agency officials) as undesirable features of aid flows. Hence we present here data on trends in the financial terms (measured by the grant element of aid) and tying status of ODA commitments by DAC donors.[19]

[19] The grant element is an indicator of the concessionality (i.e. softness) of the financial terms of a loan

Financial terms. One important reason for being concerned with the financial terms of aid flows is their subsequent impact on the debt servicing burden of recipient countries, and thus on the future sustainability of their balance-of-payments and (given the public nature of aid flows) their fiscal balances. This is an issue, which has been accentuated by the debt problems in 1980s and (in the case of many low-income countries) also in the 1990s.[20] The Development Assistance Committee (DAC) of the OECD has therefore attempted to set out a successive number of targets and conditions to ensure that the concessionality of aid flows remain as high as possible.[21] The presently applied target stipulates an average grant element of total ODA commitments to all developing countries of at least 84 per cent.[22] For each donor to satisfy these DAC terms recommendations also require that its total aid effort not be "significantly below the DAC average". To increase concessionality to meet these targets, donors can either increase the grant element of ODA loans or reduce the share of loans in total ODA. In Table 9 (details in Appendix H), a summary of financial terms data for bilateral ODA commitments is presented.

---

commitment, which combines interest rate, maturity (interval to final repayment) and grace period (interval to first repayment of principal capital, i.e. amortization). The grant element is calculated as the difference between the face value of the future service payments to be made by the borrower and the grant equivalent, and expressed as a percentage of the face value of the loan. The grant equivalent in turn measures the present value of a loan, conventionally using a discount rate of 10 per cent.

[20] See Hjertholm, Laursen and White (2000) for a discussion of possible debt problems.

[21] White and Woestman (1994) report on the history of these initiatives, dating back to the late 1960s.

[22] The DAC terms recommendations have in addition set out a number of targets (norms) for aid to the least developed countries (LLDCs): The average grant element of annual ODA commitments from each donor to each recipient country is set at least 86 per cent, or alternatively at least 90 per cent for the LLDCs as a group.

Table 9: Bilateral ODA commitments, financial terms data, DAC donors, 1973-96 (per cent).

	Av. 1973-80	Av. 1981-90	Av. 1991-96
DAC donors			
Grant share of ODA [a]	33.9	55.0	48.7
Loan share of ODA	66.1	45.0	51.3
Grant element of ODA loans	61.0	55.4	59.5
Grant element of ODA	74.3	80.0	79.1
UN-target donors [b]			
Grant share of ODA [a]	72.6	86.5	99.0
Loan share of ODA	27.4	13.5	1.0
Grant element of ODA loans	67.1	62.6	43.7
Grant element of ODA	91.0	95.1	99.5

Notes: [a] Grants refer to both ODA grants as well as equity investment and grant-like loans since these have a grant element of 100 per cent also. [b] Denmark, Netherlands, Norway and Sweden.

As for DAC donors as a group, compared with the 1970s, the average grant element of ODA commitments increased to 80 per cent in the 1980s, then dropped slightly in the 1990s, and remaining below the agreed target of 84 per cent. This outcome was the result of a markedly lower grant element of ODA loans especially in the 1980s, not fully compensated by the

otherwise considerable increase in the share of ODA grants. The grant element of aid from the UN-target donors, on the other hand, has increased considerably since the 1970s, at that time already well above the DAC target, to reach almost 100 per cent in the 1990s, thereby all but entirely eliminating the future balance-of-payments and fiscal burden of aid from this source. This development did not result from any improvement in the grant element of ODA loans, in fact they have worsened significantly during the period observed, but from the reduction of the share of aid loans to a mere 1 per cent of total ODA by the 1990s.

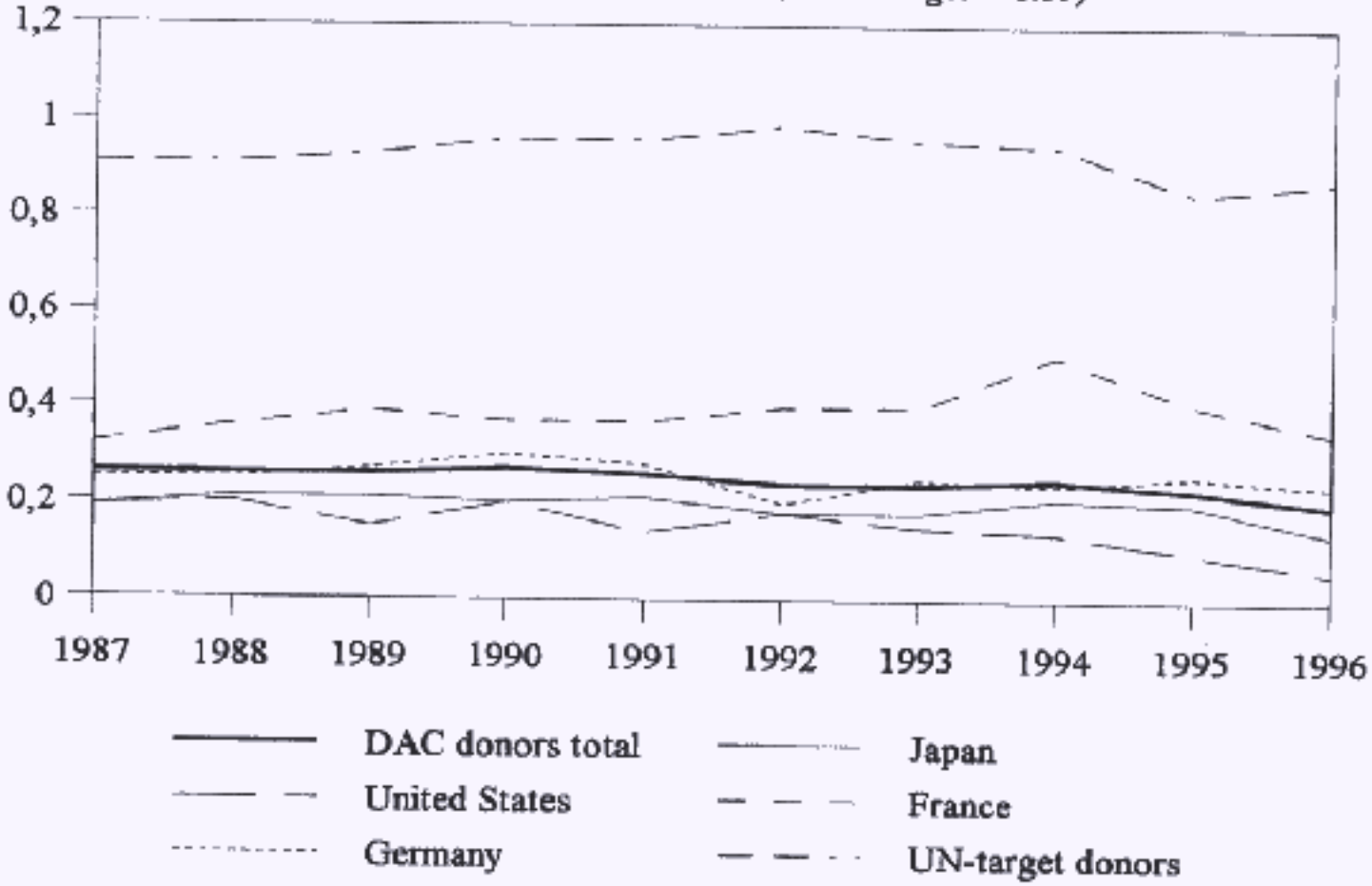
When the DAC target on financial terms (0.84 grant element) is combined with the UN-target on ODA volume (0.70 per cent of donor GNP) a combined target of 0.59 is produced, as suggested by White and Woestman (1994), which takes account of the DAC condition, mentioned above, that the financial terms target can only be considered satisfied if the donor adheres to the agreed UN-target on ODA volume. In Chart 3 this combined terms-volume performance is presented for the 1987-96 period (data in Appendix I). As is clear, DAC donors have at large been quite unable to meet this combined target of 0.59, as have the major donors Japan, United States, Germany and France, though the latter has performed significantly better than the former three. It would thus appear that some donors which have been calling to attention their preparedness to substantially increase the grant element of their ODA (and have indeed done so), have also been those donors, which have substantially reduced their aid effort in volume terms (thus the money may be cheaper now, but there also is a lot less of it!).

The combination of a substantial volume effort and almost exclusive use of ODA grants to channel this effort, on the other hand, has placed the UN-target donors well above the DAC combined target. A burden-sharing problem seems to loom in the background here.

Aid tying. Since foreign aid for the most part is financed out of donors' national budgets it faces competition with other claims on public resources. This creates opportunity costs to the national economy in terms of forgone consumption and investment. Donor governments have therefore felt justified to reduce at least the balance-of-payments cost of their aid by requiring recipient countries to purchase aid-financed goods from the donor country, subject to some safeguards of appropriate quality and prices (DAC guidelines allow a 10 per cent 'margin', i.e. mark up over world market prices, although data suggest rather higher margins may be

Chart 3: Bilateral ODA commitments, comb. terms-volume performance, 1987-96.

(grant element x ODA/GNP ratio, DAC-target = 0.59)



Source: Appendix I. Data from Appendix E and H.

observed in practice). The underlying assumption has been that it is easier to maintain public and parliamentary support for major aid programmes if immediate tangible benefits are seen to accrue to the national economy of the donor.[23] Economists and multilateral institutions have argued, however, that aid tying is a potential source of economic distortions, especially in cases where the donor is overly concerned with promotion of home exports.[24]

[23] While the political rationale may be valid, it is uncertain, however, whether there are any significant macroeconomic benefits to the donor economy, given the relatively modest order of magnitude in most cases (OECD 1985).

[24] The danger of economic distortions may arise from (i) a bias towards projects with a larger import contents in areas of particular export interest to the donor, (ii) corresponding bias against projects and programmes with a lower import contents, such as rural development projects, and in particular against local-cost financing, (iii) a bias against 'commercially interesting' developing countries, (iv) donor reluctance to co-operate and co-ordinate their aid activities with other donors who may be seen as competitors in the search for commercially attractive projects, (v) impaired credibility of donors in the development policy dialogue with recipients, and (vi) donor reluctance to channel aid through multilateral institutions (OECD 1985: 241-42).

Table 10: Bilateral ODA commitments, share of untied aid, DAC donors, selected years 1981-97 (per cent).

	1981	1985	1989	1993	1997
Austria	3.4	3.0	3.1	44.8	60.6
Australia	60.0	53.4	10.4	41.9	63.1
Belgium	29.0	37.5	n.a.	n.a.	49.9
Canada	18.0	42.3	41.4	61.9	33.4
Denmark	63.6	60.4	n.a.	n.a.	71.6
Finland	84.9	80.9	20.8	59.0	76.8
France	42.5	42.5	47.8	31.5	n.a.
Germany	74.3	3.7	33.8	47.9	n.a.
Ireland	n.a.	100.1	n.a.	n.a.	n.a.
Italy	71.6	16.6	9.1	43.1	45.6
Japan	36.8	60.8	70.2	83.9	99.6
Luxembourg	n.a.	n.a.	n.a.	n.a.	95.2
Netherlands	57.3	60.3	45.8	n.a.	90.0
New Zealand	36.4	78.0	n.a.	n.a.	n.a.
Norway	73.6	70.3	71.3	81.8	91.1
Portugal	n.a.	n.a.	n.a.	63.8	99.1
Spain	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	84.0	68.8	71.1	85.0	74.5
Switzerland	50.1	67.3	74.9	91.4	94.9
United Kingdom	20.5	27.6	24.0	35.2	71.7
United States	33.4	40.9	34.9	37.4	n.a.
DAC donors total	44.1	47.3	43.8	57.9	87.6

Source: Appendix J. Data from OECD (1998b).

Moreover, tied aid is hardly compatible with OECD/DACs stated objectives in such areas as enhanced competition, reduced intervention in markets and withdrawal from subsidies. Ideally, aid recipients should therefore have a free choice of the most appropriate and economic source of supply, benefiting thereby from the advantages of international bidding (OECD 1985). Donors have therefore acknowledged (in principle) the higher value of untied aid for the recipient country and that economic distortions may thereby be reduced (OECD 1992).[25]

In spite of this, the tying of ODA remains a prominent feature of the aid effort of many donors, as is shown in Table 10 (data in Appendix J). Although the share of total untied DAC aid has increased steadily from 40-5 per cent in the early 1980s to about 70 per cent in 1995-6, and even 88 per cent in 1997, some donors have been unwilling to move decisively towards DAC recommendations and continue to tie substantial amounts of their aid.[26] For example, if a 'good performance' in 1996 where defined as one where the donor ties no more than 30 per cent of bilateral aid, only eight donors (some quite small in volume terms) would qualify, and in 1997 only ten. Moreover, some of the 'good performers' only became so recently, having tied substantial amounts of aid throughout the 1980s. The (un)tying performance tends, however, to change quite a bit over time, as the share of untied aid of individual donors is prone to considerable swings (see Appendix J). It is not an easy task to explain the variation of tying across time and donors, but if anything DAC recommendations is evidently not the only, let alone the main guiding principle. In many cases, changes in aid tying are probably closely linked to changes in the international competitiveness of home businesses, as suggested by White and Woestman (1994), with Japan in recent years (competitive and less tying) and the United Kingdom in the eighties (less competitive and more tying) being good examples. In

[25] Estimates vary, but the extra costs that tied-aid recipients may incur as a result of uncompetitive (and thus over) pricing may be as high as between 10-25 per cent (see, e.g. Bhagwati 1967 and Riddell 1987), costs, which can be expected to disappear once tying is discontinued.

[26] As noted by the OECD (1994), the overall reduction of tied aid is more a result of an increase in the naturally untied components of aid, such as programme aid and emergency aid, than a reduction in tied project aid.

other cases though, such as Germany (internationally competitive, but substantial tying nevertheless), other factors may be involved as well.[27]

Analogous to the combined terms-volume performance, the 'real' extent of DAC donors 'untied aid performance' (UAP) can be gauged by combining the amount of untied aid in per cent of bilateral commitments with the ODA/GNP ratio, thus arriving at a 'volume corrected' ratio of untied aid. Based on such combined data, Appendix J and K makes possible a comparison of donor rankings based on UAP and the performance 'corrected' by the volume effort of donors (Table 11). Although some data is missing (some donors' 'reporting performance' is rather erratic), it is instructive to see, e.g., that the top UAPs of Japan and Portugal look a lot less impressive when account is taken of the fact that these donors do not provide much aid relative to their economies. On the other hand, the UAPs of donors like Norway and Netherlands, already far above the average, look even more distinguished when their high ODA/GNP ratios are considered. Denmark also performs substantially better (from rank 11 to 3) when the UAP is held against the Danish ODA/GNP ratio of almost 1 per cent. There are of course also the bad 'untied aid performers' (e.g. Canada, Italy, Belgium, Australia and Austria), who remain so on a combined basis because they provide relatively little aid, and tie a lot of it.

[27] The extent to which less competitive home businesses can in parctice influence the aid and tying policy of the donor government may be a factor here.

Table 11: Untied and comb. Untied-vol. performance, donor ranking, 1997.

	Donor ranking	
	UAP: untied aid in % of	Comb. untied-volume
Canada	16	15
Italy	15	16
Belgium	14	14
Austria	13	13
Australia	12	12
Denmark	11	3
UK	10	11
Sweden	9	4
Finland	8	7
DAC donors	7	10
Netherlands	6	2
Norway	5	1
Switzerland	4	6
Luxembourg	3	5
Portugal	2	8
Japan	1	9
France	n.a.	n.a.
Germany	n.a.	n.a.
Ireland	n.a.	n.a.
New Zealand	n.a.	n.a.
Spain	n.a.	n.a.
USA	n.a.	n.a.

Note: [a] Since the denominator of the UAP is bilateral ODA commitments and the

A DIAGRAMMATIC SYNTHESIS: AID DIAMONDS

We can combine four aspects of aid quality into a single figure called an aid diamond. Examples are given for Sweden and the US in Chart 4 (and those for the other DAC donors given in Appendix L). There are four axis to the diamond, which represent: (1) aid volume, measured as a per cent of donor GNP; (2) the grant element; (3) the share to least developed countries (LLDCs) and; (4) the percentage of aid which is untied. Aid quality is seen to be higher, the higher each of these figures are. Thus, the better a donor's aid programme, the larger the diamond. Each figure combines donor performance with the DAC average and the DAC target. In the case of tying there is no DAC target (as there is, say, for 0.70 per cent of GNP for aid volume) so the target is set at 100 per cent. The DAC target for aid to LLDCs is 0.15 per cent of GNP. We have converted this figure to the share of a donor's aid, which would have to go to LLDCs in order to meet this target by dividing through by the donor's ODA to GNP ratio. If a donor's ratio is less than 0.15 per cent of GNP (e.g. the US in the most recent period), then they would have to give over 100 per cent of their aid to LLDCs to meet the DAC target. In such cases the diamond for the DAC target is 'truncated' at the 100 per cent point.

The examples given clearly illustrate how the quality of US aid has declined over time. They also show clearly the comparatively higher quality of Swedish aid. Looking at the performance of all donors (Appendix L) within each of the four aspects of aid quality, the diamonds depict plainly the extent to which too many donors are far removed from the recommendations and targets jointly set out by the Development Assistance Committee. So when discussing the growth and development effectiveness of foreign aid (see, e.g. Hansen and Tarp 2000 and Lensink and White 1999), it is worth thinking about the role of the poor aid delivery performance of donors.

It must be remembered that all four aspects of aid flows are identified precisely because of their implications for the economic growth potential of the donor effort. The aid volume effort (measured by the ODA/GNP ratio) derives its significance from its potential for filling (or closing) gaps in domestic financial resources (see Hjertholm, Laursen and White 2000). The concessionality of aid (measured by the grant element) derives significance from its role in determining the future debt service burden of recipients, a factor, which we know have

Chart 4a: Aid diamond, Sweden, 1987 (*source:* Appendix L).

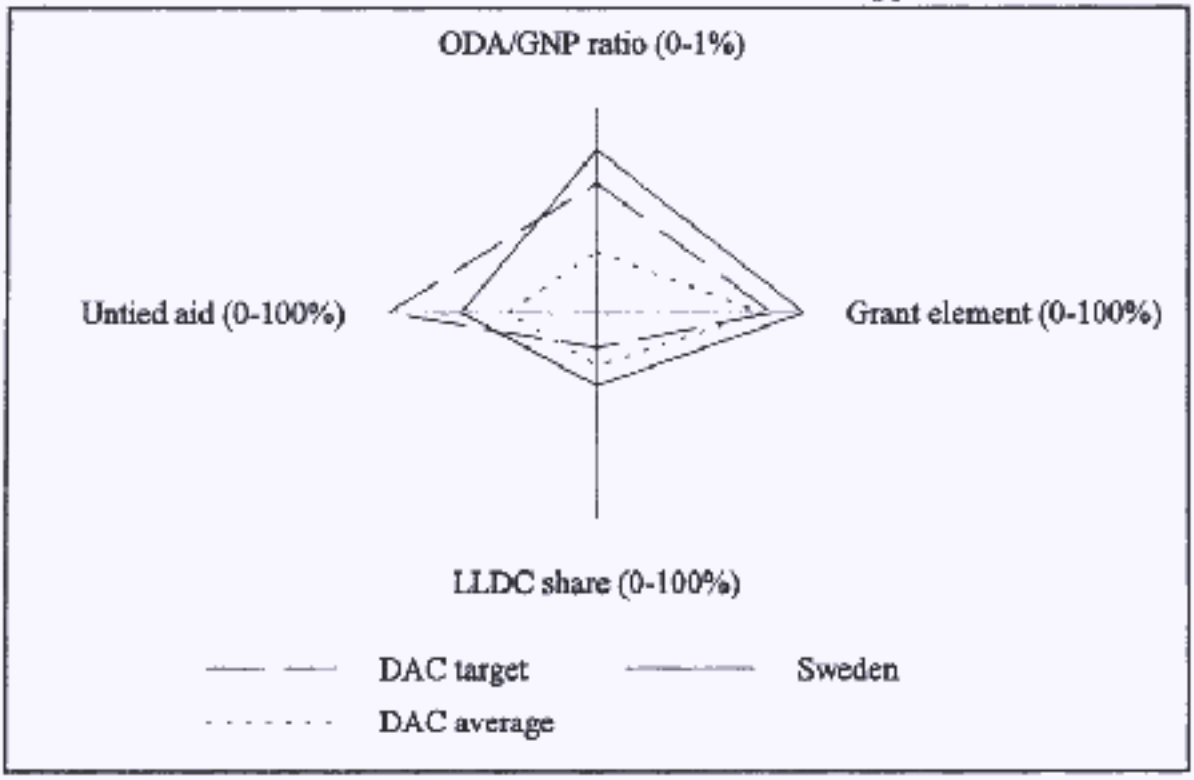


Chart 4b: Aid diamond, Sweden, 1996 (*source:* Appendix L).

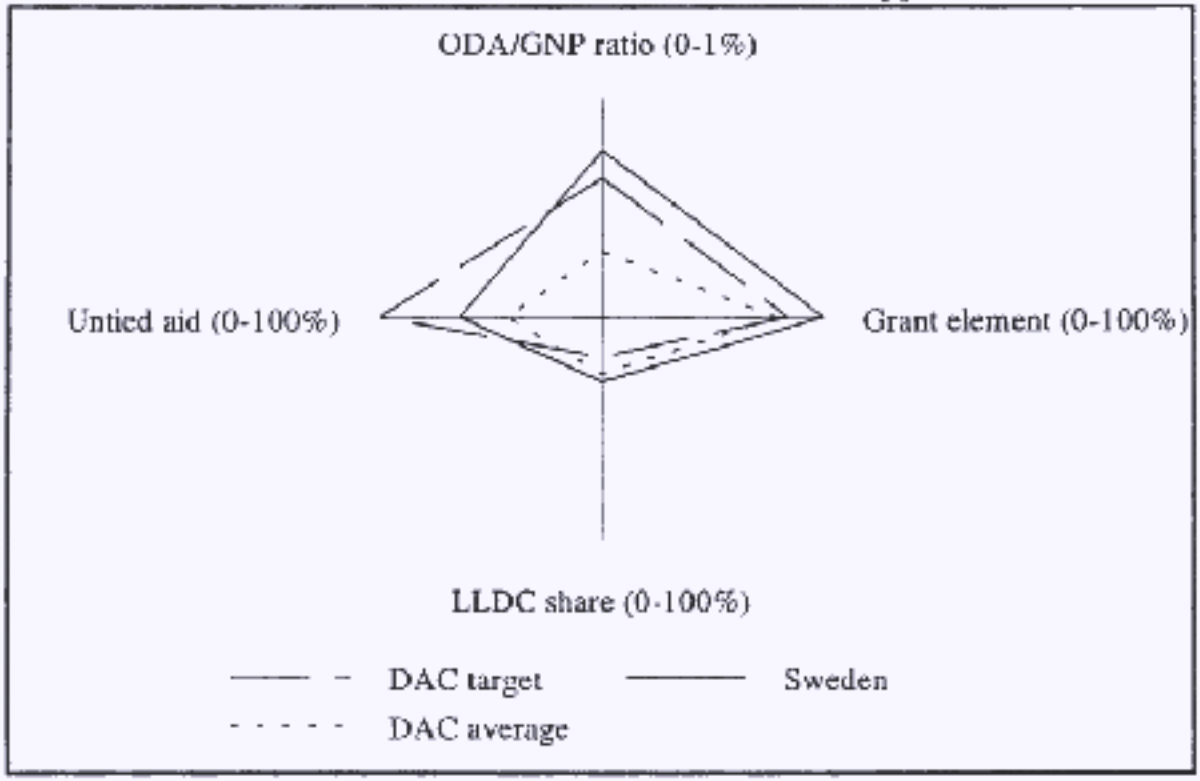


Chart 4c: Aid diamond, United States, 1987 (*source:* Appendix L).

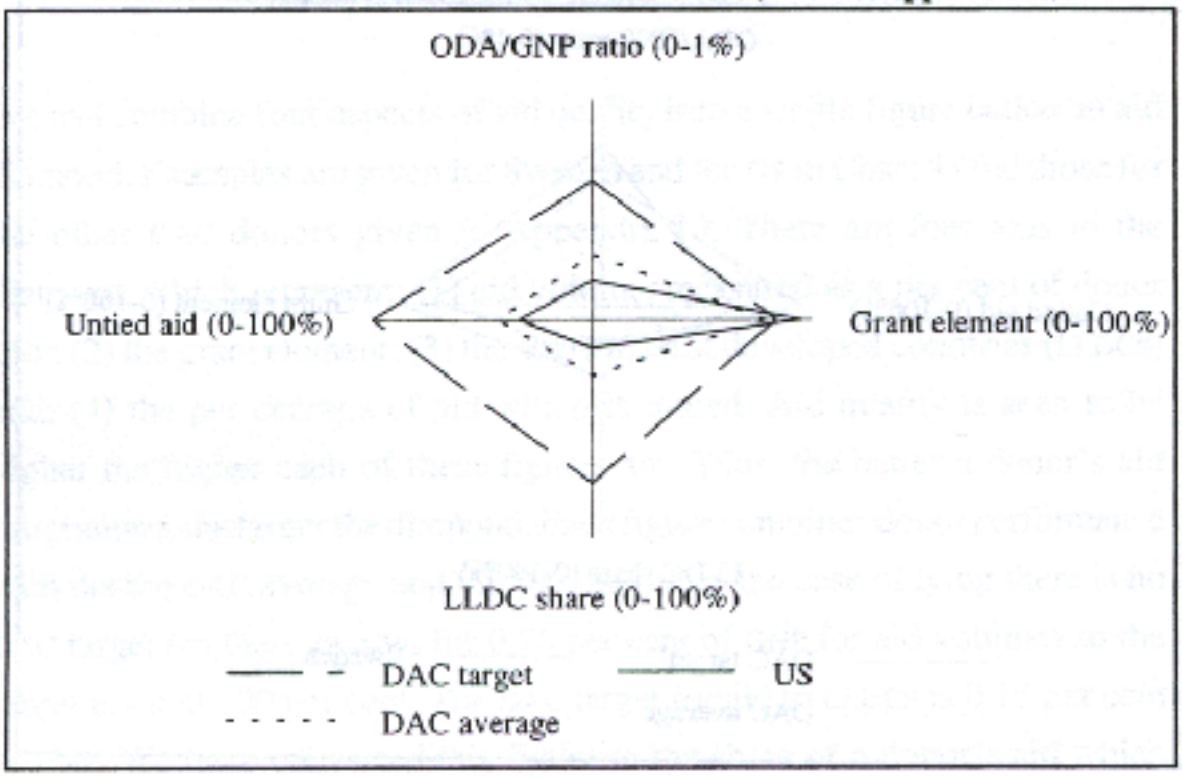
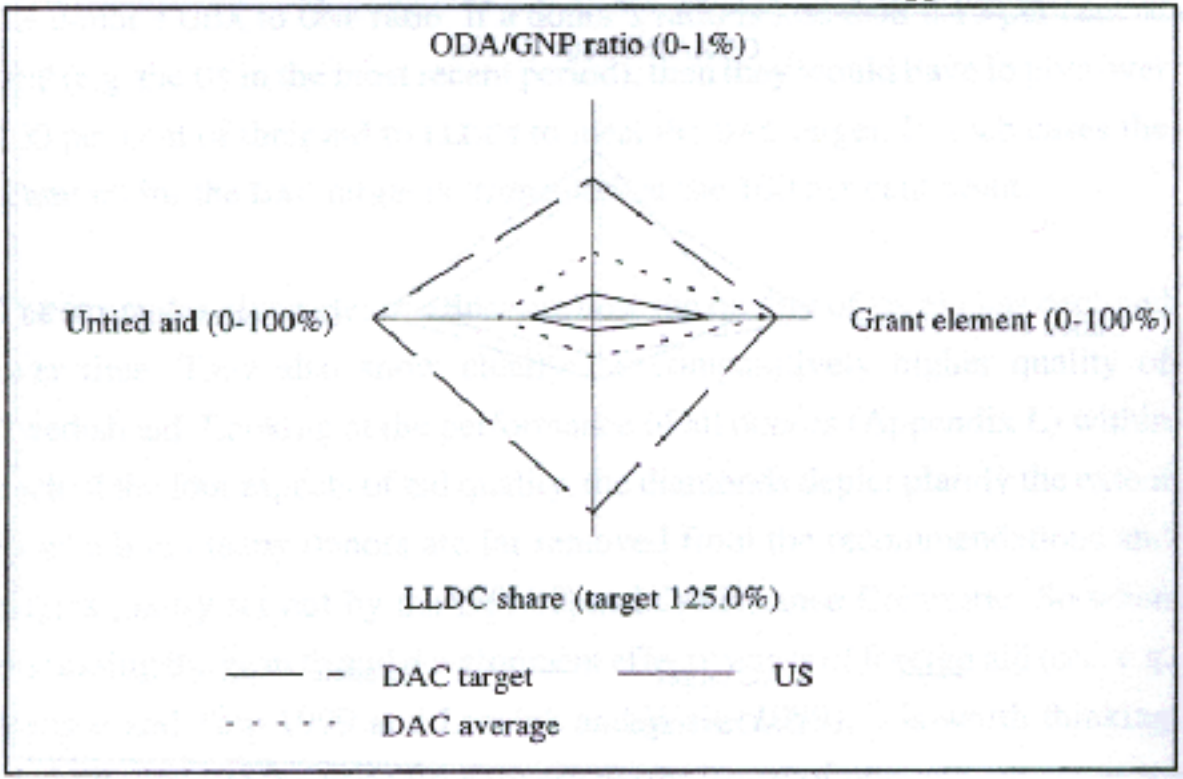


Chart 4d: Aid diamond, United States, 1996 (*source:* Appendix L).



important ramifications for the development effects of macroeconomic management. The allocation of aid to the poorest countries (the LLDC share) derives its twin-rationale from observing the disproportional existence of needs in these countries, and the belief that higher aid-induced growth rates could yield disproportionately higher welfare gains for the poor. Finally, the untying of aid is seen as a way of increasing the cost effectiveness of aid-financed imports.

4. Donor objectives and aid allocation: survey of the literature

Section 3 indicated that the allocation of foreign aid between income groups changes over time and across different donor groups. No details were provided, however, on the allocational behaviour of individual donors, and yet such behaviour is prone to more differences from one donor to another than is revealed by the average figures. Of interest to economists working with aid issues has thus been to explain the allocative patterns of donor aid and their determining factors. Not only altruistic, but certainly also political, strategic and commercial concerns play a part in shaping donors allocational motives and decisions, and such concerns have been extensively discussed in the literature (for references see the survey papers by White and McGillivray 1995 and McGillivray and White 1993a). Three aspects of the allocational pattern of aid have occupied economists. One is the question of whether aid is properly allocated between recipients, the benchmark usually being that lower per capita income should generate higher per capita aid inflows. This type of analysis is termed descriptive (or evaluative). The second type of analysis is explanatory in nature, asking why donors allocate aid the way they do it. The third type is normative in nature, seeking to prescribe how aid donors should allocate their aid. Below the current state of analysis within each of these investigative areas is reviewed.

DESCRIPTIVE ANALYSIS[28]

There are three steps in descriptive analysis, two of which are methodological and the third empirical. First the most relevant variables on which to base the construction of performance

[28] The following draws on the survey paper by White and McGillivray (1995).

indicators has to be chosen. Next there is the (perhaps main) methodological issue of how to determine which particular indicators most appropriately measure the allocational performance of donors. And finally, the comparative performance of donors is evaluated, using the most suitable indicators and available data. As indicated above, the variable used for assessing aid allocation is typically income per capita. Methodologically, there are both pros and cons for using this variable, though with the former by and large outweighing the latter.[29] The variable measuring the volume effort of each donor should take account of the population size of the recipient, so aid per capita is usually used. Moreover, since disbursements and commitments may differ considerably (McGillivray and White 1993a), a choice has to be made regarding what type of aid flows to use. If attention is on donor performance, the appropriate flow type would be commitments, given the immediate control the donor exercises over this variable. If attention is on assessing actual amounts transferred, disbursements are more appropriate.

Having decided on the relevant variables, the methodological issue is how to integrate these variables into a single indicator of performance. A way of doing this would simply be to calculate correlation or regression coefficients between aid and income per capita measures. Such calculations (for 1990) have been reported in White and McGillivray (1995).[30] Quite different rankings of donors emerge, however, depending on whether correlations or regressions are employed, suggesting already the need for care in choosing the appropriate indicator.[31] In identifying appropriate performance indicators, four desirable properties (which

[29] See White and McGillivray (1995) for discussion of the pros and cons of using income per capita for constructing performance indexes.

[30] Similar calculations are found in Bhagwati (1972) and Little and Clifford (1965).

[31] For instance, only three of the top six performers in the correlation ranking appeared among the top six performers in the regression ranking (namely Italy, Canada and the United Kingdom). Of the remaining three top performers in the correlation ranking, Denmark (third) ranked only 9th in the regression ranking, Finland (fourth) only 13th and Switzerland (first) only 12th. When average ranks were are used, the top six performers were, in order of rank, Italy, Canada, Japan, United Kingdom, France, and Denmark. The United States was able to maintain its bottom position through a consistent bias against the poorer countries.

emerge from examining the methodological usefulness of correlation and regression coefficients) should be sought after.

First, the indicator should not be allowed to by improved by 'regressive reallocation' of aid. This happens if the shifting of aid from a (larger) poor country to a (smaller) less-poor country improves the performance indicator, and the problem is present when using correlation or regression coefficients. The reason is that the aid per capita allocation of the smaller less-poor country improves more than the larger poor country's allocation worsens, so that the small country moves closer to the regression/correlation line than the larger country moves away, and hence the coefficient improves.[32] Second, the indicator must not exhibit 'anti-concentration bias'. But correlation and regression coefficients may obscure (penalize if you will) cases where donors wish to concentrate aid in fewer selected countries for efficiency, or other, reasons. The poor countries thus not receiving aid (which we could, but would not want to exclude from the sample, inter alia for reasons of comparability) would produce a deterioration in the performance indicator.[33] Third, the indicator must be, and the regression coefficient is not, 'scale neutral'. If the indicator is not scale neutral, then if a donor increases its aid to all recipients by the same factor (σ), each recipient country receives more aid but in the context of the same allocational pattern, and yet the regression coefficient will have changed ($\beta_{after} = \sigma\beta_{before}$). This points to a genetic, and undesirable bias in favour of the larger

[32] Regressive reallocation may be acceptable, though, if the poorer country is (somehow) seen as getting 'too much aid'.

[33] A further troublesome aspect of the correlation coefficient is its insensitivity to progressive aid allocation, by which is meant its inability to distinguish donor aid spread just about evenly across recipients with no particular regard to income and aid which is highly concentrated in the poorest countries relative to the less poor This problem stems from fact that achieving a maximum aid performance (i.e. a coefficient of -1) can come from any allocation satisfying $a_i = \alpha - \beta Y_i$, where a_i is aid per capita received by recipient i and Y_i is income per capita of the recipient. The only requirement is therefore that aid allocations must lie along a straight line with a negative slope, rendering the actual values of α and β inconsequential.

aid programmes. Fourth, the indicator must not be allowed to be maximized by giving all aid to a single country ('single recipient maximization').

Selecting appropriate indicators should take account these properties, that is, as far as possible, since we do not yet have indicators which can adhere to all four criteria. Regression and correlation coefficients cannot be relied on, the former because it satisfies none of the criteria, the latter because it only satisfies scale neutrality and single recipient maximization. Other candidates which have been advanced in the literature are (i) Suits index, (ii) the Headcount indicator, (iii) McGillivray's Performance Index (MPI), and (iv) the Adjusted Performance Index (API).

The Suits index is related to Lorenz-curve type analysis. One way in which the Lorenz-curve may be applied to the analysis of aid allocation, was suggested by Mosley (1987). Mosley analysed the world income re-distributive effects of aid, by comparing Gini coefficients, and under the assumption that the redistribution of income (in the form of aid) from rich donors to poor recipients will effect an upwards shift in the Lorenz curve towards the 45□ degree line of perfect equality. Mosley's calculations (based on un-weighted averages of per capita income) for the 1970-80 period showed only an insignificant improvement in the Gini coefficient (from 0.461 to 0.453) resulting from the transfer of (total) aid.[34] Apart from the fact that calculating all the Gini coefficients needed for year-to-year and donor comparisons requires a lot of time, scale neutrality is not satisfied when using the Lorenz curve in this way.

An alternative Lorenz curve, which is scale neutral, combines donors cumulative aid shares and recipient population shares (ranked by income). The Gini coefficients emerging from this Lorenz curve, termed Suits index[35], will converge towards -1 as aid is progressively allocated to

[34] A similar result (Gini down from 0.754 to 0.752), using bilateral aid only, was obtained by White and McGillivray (1995).

[35] Named after Daniel B. Suits, who used this index in an analysis of the measurement of tax progressivity (Suits 1977).

poorer countries and toward 1 as aid is allocated toward better off countries.[36] Clark (1991) used this indicator to examine the aid allocations of Japan and the United States in 1986, finding Japanese aid to be concentrated in lower-income countries and US aid concentrated in middle-income countries.[37] Looking at the top six recipients of Japan's aid, all were located in the Asian region, indicating also a strong commercial tendency.[38] The six top recipients of US aid (accounting for 66 per cent of US aid in 1986) were all of strategic importance at the time (to a greater or lesser extent), suggesting security concerns as a major motivation for US aid allocation.[39]

Similarly, White and McGillivray (1995), ranked 19 DAC donors according to the size of Suits index in 1990, using the same data underlying the correlation and regression calculations

[36] See White and McGillivray (1995) for a formal presentation of this point.

[37] The middle-income bias of US aid was confirmed in a subsequent study (Clark 1992), which looked at the allocation pattern of 18 DAC donors in 1987. Excepting Austria and a few other donors with slight middle-income bias (e.g. Japan, former West Germany and France), aid from other DAC donors (and multilateral agencies) was found to be more highly concentrated in poorer recipient countries.

[38] Top recipients of Japanese aid in 1986, in order of importance, were China, the Philippines, Thailand, Bangladesh, Burma, and India.

[39] Top recipients of US aid in 1986, in order of importance, were Israel, Egypt, the Philippines, El Salvador, Pakistan, and Honduras.

reported earlier. Interestingly, all but one of the top six correlation/regression performers Denmark) were located in the bottom half of performers or in the middle group, while Sweden (first), Belgium (second), Norway (fourth), Switzerland (fifth) and Finland (sixth) took their places. So quite different results are obtained when using Suits index, perhaps excepting the rare consistency of the bottom performance of the United States. While not subject to the regressive reallocation and anti-concentration bias problems, Suits index can be maximized, however, by allocating all aid to one small poor country. Thus, Suits index satisfies all but one of the four desired properties stated above, ranking this performance indicator high among appropriate candidates.

The Headcount indicator is generated from the same line of analysis, except that only increases in aid to the most poverty-stricken countries (say, the 40 per cent poorest countries in the sample) can improve performance. Reporting once again on the ranking exercise conducted by White and McGillivray (1995), five of the top performers according to Suits index were also found among the Headcount top performers, the newcomer being Italy (replacing Finland). The Headcount indicator basically satisfies the same three criteria, as does the Suits index, (falling short also on the single recipient maximization criteria). However, it does not capture distributional patterns within the low-income group, and may thus fail to 'reprimand' donor negligence of the very poorest members of the low-income group. Moreover, by nature, this indicator is no guide with respect to the allocation pattern within the remaining (say, 60 per cent) of aid recipients. And besides, the 40-60 per cent division may not even be the most appropriate, this being a matter of judgement. On these grounds, the Suits index may reasonably be preferred over the Headcount indicator.

The performance indicator proposed by McGillivray (1989) (MPI) is a poverty-weighted index of aid per capita from donor A to recipient B over aid per capita from donor A to all recipients. The poorest recipients are ascribed a weight of 100, and the richest a weight of 0 (so the single recipient maximization criteria is not satisfied). The top six performers according to McGillivray's MPI over the 1969-84 period included three donors (Finland, Denmark and Switzerland) also found in White and McGillivrays 1990 ranking based on the same indicator. It also includes five donors found in White and McGillivray's Suits index and Headcount rankings (for 1990). While scale neutral and not anti-concentration biased, as required, the fact

that MPI uses un-weighted averages of aid per capita means that performance may in some cases be improved by regressive aid reallocation.[40]

To amend this drawback, McGillivray (1992), introduced population weights, to arrive at an adjusted performance indicator (API) no longer subject to the regressive reallocation effect (though still influenced by single recipient maximization). This adjustment resulted in a 1984-ranking not substantially different from the ranking based on the unadjusted MPI, or the Suits and Headcount rankings for that matter. Thus, comparing the various rankings described above, excepting those based on correlation and regression coefficients, one repeatedly finds the Nordic donors, Switzerland and Belgium among the top performers and the United States among the worst performers. These results suggest at least some degree of consistency among the top and bottom rankings generated from the various indicators.

When held against the four criteria, having satisfied three of these, only the Suits index and the API can reasonably be expected to adequately measure aid allocational performance (as noted, the Headcount, while also satisfying three criteria, suffers from a lack of information on allocational patterns within and outside the poorest group of recipients).

EXPLANATORY ANALYSIS[41]

Studies using explanatory analysis seek to understand why donors allocate aid the way they do it. Sharing a common reference to the political economy literature, these studies usually treat aid as a foreign policy instrument applied to (help) achieve a range of political, strategic, economic, as well as genuinely humanitarian objectives. The basic assertion of explanatory analysis is that the pursuit of these objectives will motivate donors to allocate their foreign aid in such a way as to be conducive (in the eyes of the donor) to the attainment of these objectives. Since information on the motives themselves are not readily available, explanatory analysis aims at the decision-making process of turning motives into allocations. The

[40] See White (1992) for this point.

[41] The following draws on the survey paper by McGillivray and White (1993a).

underlying assumption is that the donor will allocate aid to those recipients, which are seen to exhibit the characteristics (be they economic, political, strategic, or other), which are believed by the donor to be consistent with its own motivations. The methodology thus involves establishing viable hypotheses relating aid flows to the observed characteristics of recipient countries, and an empirical verification exercise, often using some form of multiple regression analysis, and often (but not always) using cross-country data. Quite a few different approaches have been attempted to explain observed aid allocations (see McGillivray and White 1993a).

A dominant strand of explanatory studies has sought to look separately at recipient needs (RN) and donor interests (DI) by estimating two models of aid allocation. Such studies include early work by Wittkopf (1973), McKinlay and Little (1977; 1978a, 1978b; 1979), and McKinlay (1978) and more recent work by Maizels and Nissanke (1984) and Tsoutsoplides (1991). The RN model assumes a basically altruistic perspective on the part of the donor, expecting aid to be solely allocated according to the economic and social requirements of recipient countries. The DI model, on the other hand, takes a more sombre perspective, assuming that donors ship aid for the purpose of promoting their foreign policy objectives and economic self-interest. The general tendency of the empirical evidence pertaining to the three decades prior to the 1990s suggest serious doubt about the extent to which the recipient need model can explain aid allocations from bilateral donors. Not unexpectedly, however, multilateral aid allocation (in 1978-80), was comparatively well explained by the RN model estimated by Maizels and Nissanke (43 per cent of the variation). This may be partly explained by the fact that multilateral agencies are less governed by political considerations than bilateral agencies, a point investigated by Rodrik (1996).

McKinlay and Little (1979) reached a similar conclusion with regard to US aid in 1960 and 1970, stating that humanitarian concerns were all but absent in US aid allocation, this instead being shaped wholly by US self-interest. The evidence obtained by Tsoutsoplides (1991), however, does not reject the RN model in his estimation of total European aid (averaged for 1975-80), in fact it performed better than the DI model, although the performance reverses when only bilateral aid is considered. Since economic and commercial considerations may reasonably be assumed to as high in most European donors as in the United States, one may speculate whether the strategic concerns of the US at the time can explain the different

conclusions reached by Tsoutsoplides and the studies by Maizels and Nissanke and McKinlay, since the latter two include the relatively large US aid programme. The pure 'developmental models' are half-related to the RN/DI paradigm, in that only recipient needs (examples of which have been given earlier) are thought to explain aid allocation, with donor interests left out. A recent such study is Anyadike-Danes and Anyadike-Danes (1992).[42]

Another strand of studies have used so-called 'hybrid models', which specify variables meant to capture both the political and strategic importance of the recipient, its economic and commercial significance and its development requirements. So these models are usually quite comprehensive. A recent study by Grilli and Riess (1992), for example, of the determinants of European aid to associated developing countries (ACPs), used the Human Development Index (HDI)[43] as an indicator of recipient needs, with external debt stocks added as an additional indicator of financial distress.[44] Exports to donor countries measured commercial importance, while population size was included in order to account for small country bias. The results obtained indicated that European bilateral aid allocation had, until recently, been heavily influenced by commercial considerations. In the 1980s, however, a gradual shift towards recipient needs was identified. European multilateral aid allocations, on the other hand, while somewhat affected by commercial interests early in the 1970s, have since been much more guided by considerations for development requirements. Reflecting on the reasons for the generally better explanatory power of the adopted model over time, Grilli and Riess suggested the declining role of colonial ties and other (political) factors. However, political and strategic motives are not explicitly tested for, but while the extent to which these factors influence aid

[42] Early such studies include Edelman and Chenery (1977), Kaplan (1975), and Henderson (1971).

[43] Whether or not the Human Development Index is a suitable indicator of development is a moot point. See McGillivray (1991) for a critical assessment.

[44] Since debt stocks measured in nominal US$ do not capture the relative burden of foreign debt, a more correct indicator from a conceptual point of view would have been the debt-to-export or the debt-to-GNP ratio.

allocations has surely diminished since the demise of the cold war, security consideration may nevertheless have played a role in some cases.[45]

Yet other studies (e.g. Daveri and Grilli 1991 and D'Agostino 1989) on the allocational pattern of individual donors found evidence of a 'polar pattern' among them. At one end, French aid appeared entirely guided by French interest, and at the other, Dutch and Nordic aid appeared to be driven almost wholly by recipient needs.[46] In between these contrasting cases were found donors like the United Kingdom, Italy and Germany. Supporting the notion of a very divers pattern of aid allocation among donors, the recent study by Alesina and Dollar (1998) of bilateral aid allocation during 1970-94, found evidence "that the direction of foreign aid is

[45] Several early studies have explicitly modelled such political factors. For instance, when analysing aid allocations from the United States, the United Nations and the World Bank in the 1960s, Levitt (1968), used population size, income per capita, electrical consumption, school attendance, and foreign exchange reserves as development criteria. The commercial significance of recipients was measured by US exports to recipients, while their strategic and political importance was captured by their share of US military aid and a 'friendliness' index measuring their UN voting behaviour. Wittkopf (1972), on the other hand, used income per capita and the trade balance as indicators of development needs, combined with export growth as an indicator of economic performance (on the assumption that the donors under investigation - France, Germany, UK and the United States - were concerned with the optimal return of aid flows, in turn thought to be higher among stronger economies). Population size, year of independence, donor-recipient trade, geographic proximity to a communist state, and trade and aid relations with the commumist bloc were all included as indicators of political and strategic importance. In addition, reminiscent of the 'band wagon' effect introduced in later studies, Wittkopf included other bilateral and multilateral aid flows in order to capture the degree of coordination and 'labour sharing' among donors. Kato (1969) also introduced a couple of (conceptually flawed) indicators measuring the state of the donor economy (in this case the United States), namely the US balance-of-payments deficit and its aid-GNP ratio. Other studies along hybrid lines using political and strategic indicators include Loehr, Price and Raichur (1976) and Bowles (1989; 1987).

[46] A recent study on Danish aid by Tarp et al. (1998), while confirming the importance of recipient needs in the determination of Danish aid allocations, also found evidence of commercial interests, as well as increased political pre-occupation with human rights. Evidence of an increased role of political developments in recipient countries have also been found by Alesina and Dollar (1998).

dictated by political and strategic considerations, much more than by economic needs and policy performance of the recipients". Aid from the United States, France and Japan (accounting for a very large share of total aid) largely went to 'friendly' countries, regardless of economic needs and performance, with Nordic aid much more sensitive to these factors. The authors propose that this pattern of aid flows partly explains why past aid has been, "at best, only partially successful at promoting growth and reducing poverty" in recipient countries. While recipients that have democratised have, at the margin, received more aid, a colonial past and political alliances have been the major determinants of aid flows. Put in its extreme, the authors state that "an inefficient, economically closed, mismanaged non-democratic former colony friendly to its former colonizer, receives more foreign aid than another country with similar level of poverty, a superior policy stance, but without a past as a colony".[47]

A couple of studies (e.g. Dowling and Hiemenz 1985, Isenman 1976 and Karunaratne 1980) have highlighted, and sought to explain the small country bias often observed in donors aid programmes (there also being a possibility of middle-income biases), by which is meant the tendency for small recipient countries to receive relatively larger amounts of aid per capita than larger countries. Other studies have focussed on the role played by the bureaucratic structure of aid agencies, in particular the tendency to merely add a few per cent over last-year allocation in order to arrive at the current-year allocation. This type of inertia can no doubt be related to the fact that downward adjustments (or even stagnation) in aid allocations, in particular for projects, may put a strain on donor-recipient relations and co-operation, not something that makes aid policy implementation easier. Gulhati and Nallari (1988) exemplified this approach in their analysis of three selected country aid programmes of seven DAC donors and IDA. While similar to the hybrid models in the choice of variables and the DI/RN paradigm in estimating two models, the innovative feature is the attempt to capture bureaucratic inertia by specifying a

[47] Contrasting such factors as colonial ties with a 'superior policy stance' (with the former thought not to enhance the development effectiveness of aid and the latter to do just that), reflects the notion, advanced by Burnside and Dollar (1997) and World Bank (1998), that the growth effectiveness of aid is intimately linked with 'good' macroeconomic policies. In response to this, Hansen and Tarp (2000) and Lensink and White (1999) have shown that this link has not been adequately documented in the studies referred to.

lagged dependent variable for aid allocation and using time-series data. The results obtained for the 1970-84 period showed a marked tendency for incremental and country-bound aid allocation to characterize decision-making in bilateral aid agencies (while not in IDA). Based on a more formal framework of aid adjustment in the Indian context, similar results was obtained by Gang and Kahn (1990), who found the size of aid in the previous-year to be a significant determinant of the size of aid in the current-year.[48]

A conceptually different perspective, is proposed by the 'sample selection models' (a sub-set of the limited dependent variable models). The basic idea is that aid allocation results from at two-step decision-making process. The first step involves deciding which countries to include in the aid programme, and the next step involves determining how much aid the countries chosen should receive. In the seminal work by Dudley and Montmarquette (1976) DAC aid in 1970 was analysed in this fashion. The authors found aid eligibility and amounts to depend on recipient needs (i.e. income per capita, population size and income per capita), on donor economic and political self-interest, and the 'band wagon' effect, that is the tendency to allocate aid to countries already receiving aid from other donors. Several more recent studies, building on (and extending) the original Dudley and Montmarquette framework have appeared, most of them designed to analyse aid allocation of individual donors like Canada (Dudley and Montmarquette 1978), Australia (McGillivray and Oczkowski 1991), the United States (Gang and Lehman 1990 and Eggelston 1987), the United Kingdom (McGillivray and Oczkowski 1992), and Denmark (Tarp et al. 1998). Trumbull and Wall (1994), using also an extended version of the Dudley-Montmarquette model, performed an analysis of total developing country ODA for 1984-89.

In an attempt to assess the robustness and credibility of the empirical results obtained in the explanatory literature, McGillivray and White (1993a) has devoted considerable space to a critical assessment of the methodological properties of the various statistical models adopted

[48] McGillivray (1986) and Gounder (1991) have examined the extent of bureaucratic inertia in Australian aid along similar lines.

in these studies. A central flaw of much of the literature, it is argued, is the inadequate attention given to the proper description (i.e. approximation) of the actual decision-making processes governing aid allocation. The complex interplay of bureaucratic, political, commercial and other factors, which characterize donor-recipient relations are rarely sufficiently appreciated and accounted for. This fundamental deficiency is almost certain to influence the reliability of the conclusions drawn. From the survey, a number of guiding methodological recommendations are generated, which may help ensure more robust empirical results. Apart from the more technical issues relating to the statistical investigation, quite important among the recommendations is the good sense of using aid commitments as the dependent variable, since this (and not disbursements) is the relevant variable of donor decision. Equally important, a sufficiently comprehensive model is needed to map all relevant elements of donor decision-making, inter alia accounting for 'recipient selection' and 'amounts committed' separately if the nature of decision-making differs among the two, as is done in the limited dependent variable models pioneered by Dudley and Montmarquette.

PRESCRIPTIVE ANALYSIS

The third and final type of investigation into aid allocation is prescriptive analysis. This literature is normative in approach, saying how development aid ought to be allocated. Sharing the evaluative approach of the descriptive literature, the prescriptive studies go a step further by pointing out the discrepancy between the observed performance of donors and the performance that ought to have been, based on notions of recipient needs (and absorptive capacity). Recent attempts to arrive at such prescriptive conclusions are found in McGillivray and White (1993b, 1993c).[49] The first of these papers developed a supply-side model of aid allocation based on recipient needs (income per capita, infant mortality rate, life expectancy, school enrolment, and GDP growth) and absorptive capacity to arrive at an index of donor performance measuring the deviation between prescribed and observed allocations.[50] Allocation of aid wholly according to recipient needs and absorptive capacity will yield an index number of 1, while -1 would reflect the theoretical (but practically implausible) case where no aid would be given to the sample countries.

[49] Earlier studies include McGillivray and Remenyi (1990), Cline and Sargen (1975), Adelman and

The performance of DAC donors, multilateral aid agencies, and all donors taken together was assessed for the 1974-90 period. The results showed generally very poor performances throughout the period and across the board. The 'best' performance achieved by DAC members as a group, for instance, came in 1987 when the index number reached only 0.122, a far cry from 1. The 'best' index result for the multilateral agencies, quite unexpectedly, was even worse, reaching only 0.104 (in 1984). Indeed, contrary to previous results, in year-to-year comparisons, bilateral donors performed better (or rather less worse) than multilateral agencies in nine of the 17 years examined. One would have expected the political and commercial considerations of bilateral donors to have rendered their performance inferior to that of multilateral agencies. This was not the case, however, leading to speculations about the legitimacy of the notion of multilateral aid being relatively more poverty-oriented and needs-based than bilateral aid. Another result to emerge from the study was that the larger recipient countries (in terms of population size) tended to receive less than they ought to, based on development needs, while (strategically important) recipients like Syria, Israel and Egypt received more aid than development needs alone would seem to justify.

The second prescriptive study by McGillivray and White extended the supply-side model beyond pure development criteria, by including the political and commercial concerns of donors. This extension can be seen to reflect a more pragmatic view of donor decision-making in which "there are an awful lot of people who think they should have a hand in how the aid programme is spent" (Ryrie 1986). Employing basically the same line of analysis as used in the development-based supply model, McGillivray and White generate an index of performance where both recipient needs (subject to the limitations imposed by absorptive capacity) and donor objectives are explicitly accounted for, subject to an aid budget constraint.

Morris (1968) and Rosenstein-Rodan (1961).

[50] Absorptive capacity is measured by ((ODA disbursement/ODA commitments) x (investment-GDP ratio)).

Since recipient needs, commercial and political consideration may vary in significance a set of weights are attached to scale their relative importance. The weight for recipient needs (captured by the same variables as used in the former study, with population size included) was set at 0.5, while the weights for commercial and political objectives were set at 0.25 each.[51] This framework was used to assess the performance of four major donors (France, United Kingdom, United States, and Japan) during the 1977-90 period. Overall, confirming the results of the former study, the performance was far from impressive, with France achieving the highest average index value for 1977-90 (0.22), the United States the lowest value (-0.31), with UK (0.01) and Japan (0.00) in the middle. A recent study by Collier and Dollar (1998), though using a different approach, reached similar conclusions, except that the World Bank appeared to perform above average.[52] Of interest for further study along these lines would be to examine the performance of all donors individually, since there are bound to be substantial differences across DAC members.

4. Conclusion

This paper has provided a brief historical background of foreign aid as well as a descriptive analysis of aid flows over the past three decades or so, considering volume, composition, allocation and conditions. Historically, foreign aid has served a multitude of objectives. For

[51] Commercial and political objectives were captured by donor exports to the recipient (value and share), a geostrategic dummy variable, donor arms transfers to the recipient, and total DAC aid to the recipient less aid from the donor, the latter intended to capture a possible 'band wagon' effect.

[52] Collier and Dollar use a combination of infant mortality rates and good policy indicators as allocative criteria, on the assertion that aid provided in a 'good policy' context leads to higher growth rates which in turn leads to less poverty and lower mortality rates.

some of the smaller donors, the allocation and quality of aid flows have been largely, but not wholly, shaped by a concern for the development needs of the recipient community. By contrast, the foreign aid of several of the larger donors has been firmly established as a foreign and commercial policy tool, designed to achieve a range of political, strategic, economic, but also genuinely humanitarian objectives. This assertion is born by observing the historical origins of foreign aid and is supported by the empirical literature on aid allocation. Indeed, it seems that donor self-interest has been an enduring feature of donor-recipient relations over the past four to five decades, a relationship that has otherwise been characterized by many changes in terms of the volume, composition, types, and objectives of aid flows. Yet while this particular character of aid flows may well have impaired the effectiveness of aid, by nature, there is no automatic contradiction between donor and recipient objectives.

Perhaps the most important of recent changes in the aid picture is the clear reversal after 1992 of the historic upward trend in aid volumes. This may not be a big problem when declining aid flows are compensated by higher private flows, as has happened in several developing countries. Yet it may be a considerable problem in low-income countries without access to private capital and which continue to rely heavily on aid for financial resources. Clearly, the underlying premises of donor-recipient cooperation are very different when aid resources become more limited rather than more abundant, especially when debt service is still a factor of significance. The need to keep objectives and rationales clear turn out to be even more important.

References

Adelman, I. and Morris, T.M. (1968) 'Performance Criteria for Evaluating Economic Potential: An Operational Approach', Quarterly Journal of Economics 82(2).

Alesina, A. and Dollar, D. (1998) Who Gives Foreign Aid to Whom and Why?, NBER Working Paper 6612, Cambridge: National Bureau of Economic Research.

Anyadike-Danes, M.K. and Anyadike-Danes, M.N. (1992) 'The Geographic Allocation of the European Development Fund under the Lóme Convention', World Development 20(11): 1647-61.

Bhagwati, J.N. (1972) 'Amount and Sharing of Aid', in C.R. Frank, J.N. Bhagwati, R. Shaw, and H.B. Malmgren (eds.) Assisting Developing Countries, New York: Praeger Publishers (for Overseas Development Council).

Bhagwati, J.N. (1967) The Tying of Aid, UNCTAD Secretariat TD-7/Supplement 4, Geneva: UNCTAD.

Bowles, P. (1989) 'Recipient Needs and Donor Interests in the Allocation of EEC Aid to Developing Countries', Canadian Journal of Development Studies 10(1): 7-19.

Bowles, P. (1987) 'The Political Economy of UK Foreign Aid', International Review of Applied Economics 1(2): 225-40.

Burnside, C. and Dollar, D. (1997) Aid, Policies, and Growth, Policy Research Working Paper 1777, Washington, D.C.: World Bank.

Clark, D.P. (1992) 'Distributions of Official Development Assistance Among Developing Country Aid Recipients', Developing Economies 30(3): 189-97.

Clark, D.P. (1991) 'Trade versus Aid: Distributions of Third World Development Assistance', Economic Development and Cultural Change 38: 829-37.

Cline, W. and Sargen, N. (1975) 'Performance Criteria for Multilateral Aid', World Development 3(6): 383-91.

Collier, P. and Dollar, D. (1998) Aid Allocation and Poverty Reduction, mimeographed, Washington, D.C.: World Bank.

Cornia, G., Jolly, R. and Stewart, F. (1987) Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth, Oxford: Clarendon Press.

D'Agostino, A. (1989) Bisogni Essenziali ed Aiuti allo Sviluppo: Elementi di Teoria e di Analisi Empirica, unpublished doctoral dissertation, Universita Bocconi, Milano.

Daveri, F. and Grilli, E. (1991) Modelli di Distribuzione Geografica Degli Aiuti Pubblici allo Sviluppo: L'Italia e la Communitá Europea, ISPI Working Paper, Milano.

Dowling, J.M. and Hiemenz, V. (1985) 'Biases in the Allocation of Foreign Aid: Some New Evidence', World Development 3(6): 535-41.

Dudley, L. and Montmarquette, C. (1978) The Supply of Canadian Foreign Aid: An Explanation and Evaluation, Quebec: Economic Council of Canada.

Dudley, L. and Montmarquette, C. (1976) 'A Model of the Supply of Bilateral Foreign Aid', American Economic Review 66(1): 132-42.

Edelman, J.A. and Chenery, H.B. (1977) 'Aid and Income Distribution', in J.N. Bhagwati (ed.) New International Order: The North-South Debate, Cambridge: MIT Press.

Eggleston, R.C. (1987) 'Determinants of the Levels and Distribution of PL480 Food Aid: 1955-79', World Development 15(6): 797-808.

Gang, I.N. and Khan, H.I. (1990) 'Some Determinants of Foreign Aid to India, 1960-85', World Development 18(3): 431-42.

Gang, I.N. and Lehman, J.A. (1990) 'New Directions or Not: USAID in Latin America', World Development 18(5): 723-32.

German, T. and Randel, J. (1998) 'Targeting the End of Absolut Poverty; Trends in Development Cooperation', in J. Randel and T. German (eds.) The Reality of Aid 1998/1999: An Independent Review of Poverty Reduction and Development Assistance, London: Earthscan Publications for Eurostep (European Solidarity Towards Equal Participation of People) and ICVA (International Council of Voluntary Agencies).

Gounder, R. (1991) The Regional Dimension of Australian Bilateral Aid: Some Empirical Results, Department of Economics Discussion Paper 101, Brisbane: University of Queensland.

Grant, J. P. (1990) The State of the World's Children, 1990, Oxford: Oxford University Press (for Unicef).

Grilli, E. and Riess, M. (1992) 'EC Aid to Associated Countries: Distribution and Determinants', Weltwirtschaftliches Archiv 128(2): 202-20.

Gulhati, R. and Nallari, R. (1988) 'Reform of Foreign Aid Policies: The Issue of Inter-Country Allocation in Africa', World Development 16(10): 1167-84.

Gupta, P.S. (1975) Imperialism and the British Labour Movement 1914-64, Basingstoke: Macmillan.

Hansen, H. and Tarp, F. (2000) 'Aid Effectiveness Disputed', in F. Tarp (ed.) Foreign Aid and Development: Lessons Learnt and Directions on the Future, forthcoming, London: Routledge.

Henderson, P.D. (1971) 'The Distribution of Official Development Assistance Commitments be Recipient Countries and by Sources', Bulletin of the Oxford University Institute of Economics and Statistics 33(1): 1-20.

Hjertholm, P., Laursen, J. and White, H. (2000) 'Foreign Aid and the Macroeconomy', in F. Tarp (ed.) Foreign Aid and Development: Lessons Learnt and Directions on the Future, forthcoming, London: Routledge.

IMF (1998) International Financial Statistics, July, Washington, D.C.

IMF (various issues) International Financial Statistics, Washington, D.C.

Isenman, P. (1976) 'Biases in Aid Allocations Against Poorer and Larger Countries', World Development 4(8): 631-41.

Kaplan, S.S. (1975) 'The Distribution of Aid to Latin America: A Cross-National Aggregate Data and Time-Series Analysis', Journal of Developing Areas 10(1): 37-60.

Karunaratne, N.D. (1980) 'An Analysis of Contemporary Australian Aid Strategy', Economic Activity 23(4): 15-21.

Kato, M. (1969) 'A Model of United States Foreign Aid Allocation: An Application of a Rational Decision-Making Scheme', in J.E. Mueller (ed.) Approaches to Measurement in International Relations, New York: Appelton-Century-Crofts.

Lensink, R. and White, H. (1999) Assessing Aid: A Manifesto for Aid in the 21st Century?, mimeographed, University of Groningen and Institute of Development Studies, University of Sussex.

Levitt, M.S. (1968) 'The Allocation of Economic Aid in Practice', Manchester School of Economics and Social Studies 36(2): 131-47.

Little, I.M.D. and Clifford, J.M. (1965) International Aid, London: George Allen and Unwin Ltd.

Loehr, W., Price, D. and Raichur, S. (1976) A Comparison of U.S. and Multilateral Aid Recipients in Latin America 1957-1971, Berverly Hills: Sage Publications.

Maizels, A. and Nissanke, M.K. (1984) 'Motivations for Aid to Developing Countries', World Development 12(9): 879-900.

McGillivray, M. (1992) 'A Reply', World Development 20(11): 1699-1702.
McGillivray, M. (1991) 'The Human Development Index: Yet Another Redundant Composite Development Index?', World Development 19(10): 1461-8.

McGillivray, M. (1989) 'The Allocation of Aid among developing Countries: A Multi-Donor Analysis Using a Per Capita Aid Index', World Development 17(4): 561-8.

McGillivray, M. (1986) 'An Examination of Australian Bilateral Aid Allocations', Economic Papers 5(3): 43-51.

McGillivray, M. and Oczkowski, E. (1991) 'A Two-Part Sample Selection Model of British Aid Allocation', Applied Economics 24: 1311-9.

McGillivray, M. and Oczkowski, E. (1991) 'Modelling the Allocation of Australian Bilateral Aid: A Two-Part Sample Selection Approach', Economic Record 67(197): 147-52.

McGillivray, M. and Remenyi, J. (1990) 'Implications of a Poverty Focus for Australian Aid', in J. Remenyi (ed.) A Poverty Focus for Australian Aid, Canberra: The Australian Development Studies Network.

McGillivray, M. and White, H. (1993a) Explanatory Studies of Aid Allocation among Developing Countries: A Critical Survey, ISS Working Paper 148, The Hague: Institute of Social Studies.

McGillivray, M. and White, H. (1993b) Developmental Criteria for the Allocation of Aid and Assessment of Donor Performance, mimeographed, Deakin University, Geelong and Institute of Social Studies, the Hague.

McGillivray, M. and White, H. (1993c) Aid Principles and Policy: An Operational Basis for the Assessment of Donor Performance, mimeographed, Deakin University, Geelong and Institute of Social Studies, the Hague.

McKinlay, R.D. (1978) 'The German Aid Relationship: The Test of the Recipient Need and Donor Interest Models of the Distribution of German Bilateral Aid, 1961-1970', European Journal of Political Research 6: 235-57.

McKinlay, R.D. and Little, R. (1979) 'The U.S. Aid Relationship: The Test of the Recipient Need and Donor Interest Models', Political Studies 27(2): 236-50.

McKinlay, R.D. and Little, R. (1978a) 'The French Aid Relationship: A Foreign Policy Model of the Distribution of French Bilateral Aid, 1964-1970', Development and Change 9: 459-78.

McKinlay, R.D. and Little, R. (1978b) 'A Foreign Policy Model of the Distribution of British Bilateral Aid, 1960-1970', British Journal of Political Science 8(3): 313-32.

McKinlay, R.D. and Little, R. (1977) 'A Foreign Policy Model of U.S. Bilateral Aid Allocation', World Politics 30(1): 58-86.

Mosley, P. (1987) Overseas Aid: Its Defence and Reform, Brighton: Wheatsheaf.

ODM (1975) More Aid for the Poorest, white paper, London: Overseas Development Ministry.

OECD (1998a) Geographical Distribution of Financial Flows to Aid Recipients, CD-Rom, Paris: Organisation for Economic Co-operation and Development.

OECD (1998c) CRS On-line Database (www.oecd.org/dac), Paris: Organisation for Economic Co-operation and Development.

OECD (1998c) DAC On-line Database (www.oecd.org/dac), Paris: Organisation for Economic Co-operation and Development.

OECD (1998d) Aid and Private Flows Fell in 1997, OECD Press Release, June, Paris: Organisation for Economic Co-operation and Development.

OECD (1997) Development Co-operation - Development Assistance Committee 1996 Report, Paris: Organisation for Economic Co-operation and Development.

OECD (1994) Development Co-operation - Development Assistance Committee 1993 Report, Paris: Organisation for Economic Co-operation and Development.

OECD (1992) Development Assistance Manual: DAC Principles for Effective Aid, Paris: Organisation for Economic Co-operation and Development.

OECD (1985) Twenty-five Years of Development Co-operation: A Review - Development Assistance Committee 1985 Report, Paris: Organisation for Economic Co-operation and Development.

Riddell, R. (1987) Foreign Aid Reconsidered, London: James Curry.

Rodrik, D. (1996) 'Why is There Multilateral Lending?', in M. Bruno and B. Pleskovic (eds.) Annual World Bank Conference on Development Economics 1995, Washington, D.C.: World Bank.

Rosenstein-Rodan, P.N. (1961) 'International Aid for Underdeveloped Countries', Review of Economics and Statistics 43: 387-95.

Ryrie, W. (1986) 'Managing Aid Programmes', IDS Bulletin 17(2): 7-13.

Suits, D.B. (1977) 'Measurement of Tax Progressivity', American Economic Review 67: 747-52.

Tarp, F., Bach, C.F., Hansen, H. and Baunsgaard, S. (1999) 'Danish Aid Policy: Theory and Empirical Evidence', in K. Gupta (ed.) Foreign Aid: New Perspectives, Norwell: Kluwer Academic Publishers.

Thorbecke, E. (2000) 'The Evolution of the Development Doctrine and the Role of Foreign Aid, 1950-2000', in F. Tarp (ed.) Foreign Aid and Development: Lessons Learnt and Directions on the Future, forthcoming, London: Routledge.

Trumbull, W.N. and Wall, H.J. (1994) 'Estimating Aid-Allocation Criteria with Panel Data', Economic Journal 104: 876-82.

Tsoutsoplides, C. (1991) 'The Determinants of the Geographical Allocation of EC Aid to the Developing Countries', Applied Economics 23: 647-58.

White, H. (1992) 'The Allocation of Aid among Developing Countries: A Comment on McGillivray's Performance Index', World Development 20(11): 1697-8.

White H. and McGillivray, M. (1995) 'How Well is Aid Allocated? Descriptive Measures of Aid Allocation: A Survey of Methodology and Results', Development and Change 26: 163-83.

White, H. and Woestman, L. (1994) 'The Quality of Aid: Measuring Trends in Donor Performance', Development and Change 25: 527-54.

Wittkopf, E.R. (1973) 'Foreign Aid and United Nations Votes: A Comparative Study', American Political Science Review 67: 868-88.

Wittkopf, E.R. (1972) Western Bilateral Aid Allocations. A Comparative Study of Recipient State Attributes and Aid Received, Beverly Hills: Sage Publications.

World Bank (1998) Assessing Aid. What Works, What Doesn't, and Why, World Bank Policy Research Report, New York: Oxford University Press (for the World Bank).

World Bank (1990) World Development Report, New York: Oxford University Press (for the World Bank).

Appendix

List of appendixes

Appendix A: Net ODA disbursements to developing countries, DAC donors, 1967-97.

	1967	*1968*	*1969*	*1970*	*1971*	*1972*	*1973*	*1974*	*1975*	*1976*	*1977*
Net ODA disbursements, current prices:											
Amounts in US$ billions	6.4	6.9	6.9	6.7	7.3	8.8	8.7	11.2	13.3	13.3	15.0
Deflators (in terms of US$, index 1990=100):											
Developing country import unit value (IUV)	26.5	26.3	26.8	27.6	28.9	30.8	38.9	54.2	58.9	59.5	64.7
OECD GDP deflator	18.6	19.1	20.0	21.2	23.0	26.0	31.1	34.5	39.2	40.7	44.5
Net ODA disbursements, 1990 prices, US$ billions:											
Real net ODA disbursements, IUV based	24.0	26.3	25.7	24.3	25.2	28.7	22.4	20.6	22.5	22.3	23.1
Real net ODA disbursements, OECD GDP based	34.2	36.2	34.5	31.7	31.7	34.0	28.0	32.4	33.8	32.6	33.6

continues…

Appendix A (continued): Net ODA disbursements to developing countries, DAC donors, 1967-97.

	1978	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*	*1987*
Net ODA disbursements, current prices:										
Amounts in US$ billions	19.2	21.8	26.2	24.6	27.0	26.8	28.1	28.8	35.8	40.6
Deflators (in terms of US$, index 1990=100):										
Developing country import unit value (IUV)	70.5	83.0	100.9	103.9	99.4	98.0	95.4	91.4	88.7	91.5
OECD GDP deflator	52.7	58.5	63.9	61.1	59.0	58.4	57.0	57.4	72.6	84.2
Net ODA disbursements, 1990 prices, US$ billions:										
Real net ODA disbursements, IUV based	27.2	26.3	26.0	23.7	27.2	27.3	29.5	31.5	40.4	44.4
Real net ODA disbursements, OECD GDP based	36.3	37.3	41.0	40.2	45.8	45.8	49.4	50.1	49.4	48.2

continues...

Appendix A (continued): Net ODA disbursements to developing countries, DAC donors, 1967-97.

	1988	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Net ODA disbursements. current prices:										
Amounts in US$ billions	47.1	45.7	54.5	58.6	62.7	56.5	59.2	58.9	55.4	47.9
Deflators (in terms of US$, index 1990=100):										
Developing country import unit value (IUV)	95.8	97.8	100.0	100.4	99.1	98.2	102.5	113.0	111.2	n.a.
OECD GDP deflator	91.0	89.8	100.0	103.5	109.9	108.2	113.0	124.2	120.3	n.a.
Net ODA disbursements, 1990 prices. US$ billions:										
Real net ODA disbursements, IUV based	49.1	46.8	54.5	58.3	63.3	57.5	57.7	52.2	49.9	n.a.
Real net ODA disbursements, OECD GDP based	51.7	51.0	54.5	56.6	57.1	52.2	52.3	47.4	46.1	n.a.

Sources: OECD (1998a, 1998b) and IMF (various issues), *International Financial Statistics*.

Appendix B: Net ODA disbursements to developing countries, by type and donor origin, all donors, 1973-96.

	1973	*1974*	*1975*	*1976*	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
Bilateral ODA												
ODA grants (US$ billion)	5.7	7.6	8.8	8.6	9.0	11.6	14.4	17.5	15.9	15.6	15.9	17.9
ODA loans (US$ billion) [a]	3.0	3.7	5.2	4.4	4.1	7.0	7.3	8.2	8.8	6.7	5.7	4.8
ODA total (US$ billion)	8.7	11.3	14.0	13.0	13.2	18.6	21.7	25.7	24.8	22.3	21.6	22.6
ODA grants (% of total)	65.2	67.5	63.0	65.8	68.7	62.4	66.4	68.0	64.3	69.9	73.5	78.9
ODA loans (% of total) [a]	34.8	32.5	37.0	34.2	31.3	37.6	33.6	32.0	35.7	30.1	26.5	21.1
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral ODA												
ODA grants (US$ billion)	1.0	1.5	2.1	1.6	1.9	2.5	3.1	3.5	4.1	3.7	3.7	3.9
ODA loans (US$ billion) [a]	0.9	1.3	1.7	2.2	2.9	3.5	3.1	4.3	3.8	3.8	3.7	3.6
ODA total (US$ billion)	2.0	2.8	3.8	3.8	4.8	6.0	6.2	7.8	7.9	7.6	7.4	7.6
ODA grants (% of total)	53.1	52.8	55.7	42.9	39.2	41.4	50.2	44.7	51.8	49.4	50.3	52.0
ODA loans (% of total) [a]	46.9	47.2	44.3	57.1	60.8	58.6	49.8	55.3	48.2	50.6	49.7	48.0
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Cont.

Total ODA												
ODA grants (US$ billion)	6.7	9.1	10.9	10.2	10.9	14.1	17.6	20.9	20.0	19.3	19.6	21.8
ODA loans (US$ billion) [a]	4.0	5.0	6.9	6.6	7.1	10.5	10.4	12.5	12.6	10.5	9.4	8.4
ODA total (US$ billion)	10.7	14.1	17.8	16.8	18.0	24.6	28.0	33.5	32.7	29.9	29.0	30.2
ODA grants (% of total)	63.0	64.5	61.5	60.6	60.8	57.3	62.8	62.6	61.3	64.7	67.5	72.2
ODA loans (% of total) [a]	37.0	35.5	38.5	39.4	39.2	42.7	37.2	37.4	38.7	35.3	32.5	27.8
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memo: Bilateral ODA in % of total	81.7	80.2	78.6	77.2	73.1	75.6	77.7	76.8	75.8	74.6	74.4	74.9
Memo: Multilat. ODA in % of total	18.3	19.8	21.4	22.8	269	244	22.3	23.2	24.2	25.4	25.6	25.1

continues...

Appendix B (continued): Net ODA disbursements to developing countries, by type and donor origin, all donors, 1973-96.

	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
Bilateral ODA												
ODA grants (US$ billion)	19.6	23.4	25.1	26.6	27.3	38.1	39.1	35.7	34.4	35.8	36.6	37.0
ODA loans (US$ billion) [a]	4.6	5.6	6.8	7.2	7.0	6.4	6.5	8.2	5.8	6.3	4.5	2.7
ODA total (US$ billion)	24.2	29.1	31.8	33.8	34.4	44.5	45.7	43.9	40.3	42.1	41.1	39.7
ODA grants (% of total)	81.2	80.6	78.8	78.7	79.6	85.6	85.7	81.3	85.5	85.1	89.0	93.2
ODA loans (% of total) [a]	18.8	19.4	21.2	21.3	20.4	14.4	14.3	18.7	14.5	14.9	11.0	6.8
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral ODA												
ODA grants (US$ billion)	4.4	4.5	5.0	6.3	6.7	7.2	9.0	10.2	10.0	10.4	10.5	10.3
ODA loans (US$ billion) [a]	3.6	4.2	4.8	4.8	5.7	6.3	7.2	7.4	6.7	8.8	8.7	8.5
ODA total (US$ billion)	8.1	8.7	9.9	11.1	12.4	13.5	16.2	17.6	16.8	19.2	19.2	18.9
ODA grants (% of total)	54.9	51.7	51.1	56.8	53.7	53.0	55.5	57.8	59.8	54.2	54.7	54.8
ODA loans (% of total) [a]	45.1	48.3	48.9	43.2	46.3	47.0	44.5	42.2	40.2	45.8	45.3	45.2
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Cont.

Total ODA												
ODA grants (US$ billion)	24.1	28.0	30.1	33.0	34.0	45.3	48.1	45.9	44.5	46.2	47.1	47.3
ODA loans (US$ billion) [a]	8.2	9.8	11.6	12.0	12.8	12.8	13.8	15.6	12.6	15.1	13.2	11.2
ODA total (US$ billion)	32.2	37.8	41.7	45.0	46.8	58.0	61.9	61.5	57.1	61.3	60.3	58.5
ODA grants (% of total)	74.6	74.0	72.2	73.3	72.7	78.0	77.8	74.6	78.0	75.4	78.1	80.8
ODA loans (% of total) [a]	25.4	26.0	27.8	26.7	27.3	22.0	22.2	25.4	22.0	24.6	21.9	19.2
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memo: Bilateral ODA in % of total	74.9	76.9	76.3	75.3	73.5	76.7	73.8	71.4	70.6	68.6	68.2	67.8
Memo: Multilat. ODA in % of total	25.1	23.1	23.7	24.7	26.5	23.3	26.2	28.6	29.4	31.4	31.8	32.2

Note: [a] ODA loans have been calculated by subtracting ODA grants from total ODA.

Source: OECD (1998a).

Appendix C: Net ODA disbursements to sub-Saharan African countries, by type and donor origin, all donors, 1973-96.

	1973	*1974*	*1975*	*1976*	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
Bilateral ODA												
ODA grants (US$ billion)	1.0	1.3	1.7	1.7	2.0	2.8	3.2	4.1	3.9	4.1	3.9	4.1
ODA loans (US$ billion) [a]	0.3	0.4	0.6	0.5	0.6	0.5	1.2	1.0	1.2	1.4	1.4	1.2
ODA total (US$ billion)	1.3	1.7	2.3	2.2	2.6	3.3	4.4	5.1	5.1	5.5	5.3	5.3
ODA grants (% of total)	80.1	76.7	74.2	76.7	76.4	84.7	72.5	80.6	76.5	74.8	73.7	77.9
ODA loans (% of total) [a]	19.9	23.3	25.8	23.3	23.6	15.3	27.5	19.4	23.5	25.2	26.3	22.1
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral ODA												
ODA grants (US$ billion)	0.4	0.5	0.7	0.6	0.6	0.8	1.0	1.2	1.4	1.1	1.2	1.4
ODA loans (US$ billion) [a]	0.1	0.2	0.4	0.4	0.6	0.9	1.0	1.2	1.0	1.2	1.0	1.1
ODA total (US$ billion)	0.5	0.7	1.1	1.0	1.1	1.7	2.0	2.4	2.4	2.3	2.2	2.5
ODA grants (% of total)	75.6	69.0	66.1	56.6	50.4	49.0	48.7	51.0	58.1	48.5	54.2	57.1
ODA loans (% of total) [a]	24.4	31.0	33.9	43.4	49.6	51.0	51.3	49.0	41.9	51.5	45.8	42.9
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Cont.

Total ODA												
ODA grants (US$ billion)	1.4	1.8	2.4	2.3	2.5	3.7	4.2	5.4	5.3	5.2	5.1	5.6
ODA loans (US$ billion) [a]	0.4	0.6	0.9	1.0	1.2	1.4	2.2	2.2	2.2	2.6	2.4	2.2
ODA total (US$ billion)	1.8	2.5	3.3	3.2	3.7	5.0	6.4	7.5	7.5	7.8	7.5	7.8
ODA grants (% of total)	78.8	74.4	71.6	70.4	68.5	72.7	65.2	71.1	70.6	67.0	67.9	71.3
ODA loans (% of total) [a]	21.2	25.6	28.4	29.6	31.5	27.3	34.8	28.9	29.4	33.0	32.1	28.7
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memo: Bilateral ODA in % of total	72.0	70.5	68.5	68.9	69.7	66.3	69.2	68.1	68.0	70.5	70.4	68.1
Memo: Multilat. ODA in % of total	28.0	29.5	31.5	31.1	30.3	33.7	30.8	31.9	32.0	29.5	29.6	31.9

continues...

Appendix C (continued): Net ODA disbursements to sub-Saharan African countries, by type and donor origin, all donors, 1973-96.

	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
Bilateral ODA												
ODA grants (US$ billion)	5.2	6.2	6.8	7.8	7.9	11.6	10.5	9.8	9.6	10.2	10.0	9.3
ODA loans (US$ billion) [a]	1.0	1.3	1.8	2.0	1.8	0.3	0.6	1.7	1.1	0.7	0.4	0.4
ODA total (US$ billion)	6.2	7.5	8.6	9.8	9.8	11.9	11.1	11.6	10.7	10.9	10.4	9.7
ODA grants (% of total)	84.1	82.2	78.9	79.9	81.2	97.3	94.4	85.0	89.7	93.9	96.2	95.8
ODA loans (% of total) [a]	15.9	17.8	21.1	20.1	18.8	2.7	5.6	15.0	10.3	6.1	3.8	4.2
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral ODA												
ODA grants (US$ billion)	1.7	1.7	1.7	2.6	2.8	2.9	3.4	4.4	3.5	4.1	3.5	3.6
ODA loans (US$ billion) [a]	1.1	1.7	2.4	2.1	2.7	3.1	3.2	3.1	3.1	3.9	4.5	3.4
ODA total (US$ billion)	2.8	3.4	4.1	4.7	5.5	6.0	6.6	7.6	6.6	8.0	8.1	7.0
ODA grants (% of total)	61.3	50.4	42.5	54.6	51.2	48.6	52.1	58.8	52.9	51.1	43.9	51.9
ODA loans (% of total) [a]	38.7	49.6	57.5	45.4	48.8	51.4	47.9	41.2	47.1	48.9	56.1	48.1
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Cont.

Total ODA												
ODA grants (US$ billion)	7.0	7.9	8.5	10.4	10.8	14.5	13.9	14.3	13.1	14.3	13.5	12.9
ODA loans (US$ billion) [a]	2.1	3.0	4.2	4.1	4.5	3.4	3.8	4.9	4.2	4.6	4.9	3.8
ODA total (US$ billion)	9.0	10.9	12.7	14.4	15.3	17.9	17.7	19.1	17.3	18.9	8.4	16.7
ODA grants (% of total)	76.9	72.2	67.1	71.7	70.4	80.9	78.6	74.6	75.6	75.7	73.3	77.4
ODA loans (% of total) [a]	23.1	27.8	32.9	28.3	29.6	19.1	21.4	25.4	24.4	24.3	26.7	22.6
ODA total (% of total)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memo: Bilateral ODA in % of total	68.5	68.5	67.6	67.6	63.8	66.5	62.6	60.5	61.7	57.6	56.2	58.2
Memo: Multilat. ODA in % of total	31.5	31.5	32.4	32.4	36.2	33.5	37.4	39.5	38.3	42.4	43.8	41.8

Note: [a] ODA loans have been calculated by subtracting ODA grants from total ODA.

Source: OECD (1998a).

Appendix D: Net ODA disbursements, details on aid types, all donors, 1987-96 (per cent).

	1987	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
Bilateral ODA	71.8	69.2	73.1	72.0	75.5	70.2	71.4	71.5	70.6	72.8
BILATERAL ODA GRANTS	56.1	54.6	58.3	60.6	61.5	56.9	59.9	60.6	62.5	67.6
1. Project and programme aid	23.2	21.4	23.6	20.2	18.5	18.1	17.9	18.0	17.7	21.4
1.a. Capital project aid	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.2	9.6
1.b. Programme aid	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.4	4.1
o.w. Sector programme aid	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4	1.5
2. Technical co-operation	20.4	19.8	19.8	19.9	18.9	20.0	21.3	20.0	22.3	23.3
3. Grants in associated finan. Packages	0.5	0.6	0.4	0.3	0.5	0.4	0.6	0.6	0.6	0.6
4. Development food aid	4.2	4.4	4.3	3.5	3.4	3.4	3.2	3.2	2.5	1.9
5. Emergency and distress relief	1.6	1.6	1.7	2.1	5.1	4.2	6.0	6.5	5.5	5.7
6. Action on debt relief	0.5	0.6	1.2	7.5	9.2	4.4	4.4	5.4	5.7	5.7
7. Support to national & internat. NGOs	1.9	1.4	2.3	2.1	1.8	1.6	1.8	1.8	2.2	2.6
8. Promotion of development awareness	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.2	0.2
9. Administrative costs	3.5	3.4	3.9	3.5	3.4	3.7	4.1	4.2	4.6	4.9
10. Other grants	0.5	5.6	1.4	2.1	1.1	1.3	1.3	1.4	1.2	1.3

Cont.

BILATERAL ODA NON-GRANTS	15.7	14.6	14.9	11.3	10.3	12.3	9.9	9.7	7.2	4.5
o.w. Food aid loans	1.4	1.2	1.0	0.9	1.1	0.4	0.5	0.2	0.2	0.3
o.w. Debt rescheduling	1.2	0.8	0.4	1.4	8.2	1.5	2.6	2.3	0.5	0.2
o.w. Other lending	14.3	13.8	15.7	13.8	16.8	16.1	20.1	14.9	1.7	0.5
Multilateral ODA	27.9	30.8	26.9	27.9	24.2	29.2	28.4	28.2	29.2	27.1
Total ODA	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: OECD (1998b).

Appendix E: ODA net disbursements in percent of donor GNP, DAC donors, 1987-97.

	1987	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Australia	0.34	0.46	0.38	0.34	0.38	0.36	0.35	0.34	0.36	0.28	0.28
Austria	0.17	0.24	0.23	0.25	0.33	0.29	0.30	0.33	0.33	0.24	0.26
Belgium	0.48	0.39	0.46	0.46	0.41	0.38	0.39	0.32	0.38	0.34	0.31
Canada	0.46	0.50	0.44	0.44	0.45	0.46	0.45	0.43	0.38	0.32	0.36
Denmark	0.88	0.89	0.93	0.94	0.96	1.02	1.03	1.03	0.96	1.04	0.97
Finland	0.50	0.60	0.64	0.65	0.80	0.64	0.45	0.31	0.32	0.34	0.33
France	0.60	0.58	0.61	0.60	0.62	0.62	0.63	0.64	0.55	0.48	0.45
Germany	0.39	0.39	0.41	0.42	0.40	0.35	0.36	0.34	0.31	0.33	0.28
Ireland	0.19	0.20	0.17	0.16	0.19	0.16	0.20	0.25	0.29	0.31	0.31
Italy	0.35	0.39	0.42	0.31	0.30	0.34	0.31	0.27	0.15	0.20	0.11
Japan	0.31	0.32	0.31	0.31	0.32	0.30	0.27	0.29	0.28	0.20	0.22
Luxembourg	0.17	0.20	0.19	0.21	0.33	0.26	0.35	0.40	0.36	0.44	0.50
Netherlands	0.98	0.98	0.94	0.92	0.88	0.85	0.82	0.76	0.81	0.81	0.81
New Zealand	0.26	0.27	0.22	0.23	0.25	0.26	0.25	0.24	0.23	0.21	0.25
Norway	1.09	1.13	1.05	1.17	1.13	1.12	1.01	1.05	0.87	0.85	0.86
Portugal	0.11	0.21	0.25	0.24	0.29	0.35	0.28	0.34	0.25	0.21	0.25
Spain	0.08	0.07	0.14	0.20	0.24	0.27	0.28	0.28	0.24	0.22	0.23
Sweden	0.88	0.86	0.96	0.91	0.90	1.03	0.99	0.96	0.77	0.84	0.76
Switzerland	0.31	0.32	0.30	0.32	0.36	0.45	0.33	0.36	0.34	0.34	0.32

United Kingdom	0.28	0.32	0.31	0.27	0.32	0.30	0.31	0.31	0.29	0.27	0.26
United States	0.20	0.21	0.15	0.21	0.17	0.18	0.15	0.14	0.10	0.12	0.08
DAC total	0.33	0.34	0.32	0.34	0.34	0.34	0.30	0.30	0.27	0.25	0.22

Note: The UN-target is 0.70 per cent.

Source: OECD (1998b).

Appendix F: ODA commitments by sector and purpose, DAC donors, 1973-97 (per cent).

	1973	*1974*	*1975*	*1976*	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
Social infrastructure and services	20.8	18.4	22.7	17.9	18.3	21.4	22.3	24.7	24.5	24.1	25.8	27.4
Economic infrastructure and services	10.0	13.0	10.3	10.7	14.3	16.9	18.0	18.0	16.3	19.5	17.8	19.8
Production sectors	18.7	20.8	21.9	21.4	20.2	21.5	26.6	24.8	26.5	26.6	25.4	15.8
Multisector (crosscutting)	2.5	2.0	2.1	2.4	1.6	3.0	1.7	2.0	2.8	2.2	1.9	9.2
Commodity aid & gen. programme aid	19.9	6.2	19.1	18.7	12.4	12.7	14.1	10.5	10.0	13.1	11.7	12.4
Action relating to debt	1.5	2.4	4.1	5.9	2.0	5.0	3.1	5.7	2.9	1.3	1.3	1.7
Emergency assistance	1.1	0.7	1.3	0.8	0.6	0.8	1.5	1.8	1.5	1.4	1.5	1.6
Administrative costs of donors	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.5
Support to NGOs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.0
Unallocated/unspecified	25.5	36.5	18.4	22.1	30.7	18.7	12.7	12.4	15.6	11.7	14.6	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

continues...

Appendix F (continued): ODA commitments by sector and purpose, DAC donors, 1973-97 (per cent).

	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Social infrastructure and services	25.5	25.1	25.4	23.6	26.1	22.5	19.7	24.7	25.5	27.5	30.5	23.0	25.6
Economic infrastructure and services	17.1	17.2	22.1	22.9	20.0	14.4	21.3	16.1	19.3	21.5	23.7	23.1	26.7
Production sectors	19.1	18.7	17.9	18.3	17.3	11.9	10.9	16.1	11.7	10.5	10.7	13.1	11.3
Multisector (crosscutting)	1.2	1.3	3.1	2.6	2.9	3.2	2.7	4.1	4.1	3.9	5.0	5.8	7.2
Commodity aid & gen. prog. aid	24.5	20.4	19.2	19.3	17.5	14.3	16.4	17.8	12.6	8.4	5.8	4.7	4.7
Action relating to debt	2.5	2.8	1.9	2.2	3.6	23.3	12.8	7.4	10.1	11.5	7.3	5.7	6.7
Emergency assistance	2.2	2.1	1.4	1.6	2.1	2.0	4.7	5.7	6.5	4.7	5.2	5.1	5.6
Administrative costs of donors	3.8	4.0	4.0	3.6	4.4	3.3	2.8	33.4	3.5	4.5	4.8	5.0	6.0
Support to NGOs	2.5	3.2	1.3	1.3	1.7	1.1	1.2	1.8	1.1	1.0	1.0	0.8	2.0
Unallocated/unspecified	1.7	5.3	3.7	4.6	4.6	4.2	7.6	3.0	5.6	6.5	6.2	6.8	4.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: OECD (1998b).

Appendix G1: Net ODA disbursements, allocation by geographical region, all donors, 1973-96 (per cent).

	1973	*1974*	*1975*	*1976*	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
North Africa	10.4	11.8	15.9	15.4	18.4	13.2	8.1	8.1	8.4	8.7	7.6	8.0
Sub-Saharan Africa	16.7	17.5	18.7	19.2	20.6	20.5	22.8	22.5	22.9	26.1	25.8	25.8
South America	5.8	4.6	4.2	3.8	3.3	2.9	2.9	2.4	3.3	3.3	3.1	3.4
Middle East	8.4	11.2	12.2	14.6	16.4	12.7	18.9	15.9	15.4	13.4	13.8	11.6
South & Central Asia	16.2	17.4	20.3	19.9	15.6	14.4	15.1	16.7	14.7	16.3	15.9	15.0
Far East Asia	18.1	16.4	10.3	9.2	8.3	7.9	7.9	7.8	9.7	8.9	9.2	9.4
Other [a]	24.3	21.0	18.3	18.0	17.5	28.5	24.4	26.7	25.6	23.4	24.6	26.7
o.w. Europe	2.3	1.0	1.0	1.8	2.0	1.5	2.9	3.6	2.9	2.7	1.8	1.4
Total by region	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: [a] Includes Europe, Oceania, Central America and geographically unallocated.

continues...

Appendix G1 (continued): Net ODA disbursements, allocation by geographical region, all donors, 1973-96 (per cent).

	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
North Africa	8.9	6.5	6.4	5.5	5.3	12.4	11.3	8.7	6.6	6.4	4.9	5.7
Sub-Saharan Africa	28.0	28.9	30.4	3.1	32.8	30.9	28.6	31.1	30.4	30.8	30.6	28.6
South America	3.3	3.4	3.7	3.5	4.0	3.6	4.2	3.6	4.8	4.1	4.9	5.5
Middle East	12.2	10.6	8.3	5.6	5.4	8.2	8.6	6.1	5.5	7.2	4.8	8.3
South and Central Asia	14.6	15.3	13.5	14.6	14.1	10.6	13.4	11.1	10.1	13.3	10.7	11.4
Far East Asia	9.0	9.7	10.8	12.0	13.2	12.1	10.7	14.6	14.9	13.6	14.8	11.8
Other [a]	23.9	25.7	27.1	26.7	25.3	22.2	23.3	24.8	27.7	24.6	29.2	28.7
o.w. Europe	1.3	1.6	1.4	1.2	0.8	2.5	3.6	3.7	6.0	3.6	3.8	4.3
Total by region	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: [a] Includes Europe, Oceania, Central America and geographically unallocated.

Source: OECD (1998a).

Appendix G2: Net ODA disbursements, allocation by geographical region, UN-target donors, 1973-96 (per cent).

	1973	*1974*	*1975*	*1976*	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
North Africa	3.5	3.0	3.9	2.9	3.0	1.9	2.1	1.6	1.9	1.3	1.2	1.8
Sub-Saharan Africa	33.8	29.5	31.9	32.7	36.6	35.4	35.2	36.5	36.1	37.8	40.2	41.4
South America	8.8	9.8	7.8	11.6	8.5	5.9	6.6	6.2	6.9	7.1	3.5	3.6
Middle East	0.3	0.8	0.7	0.4	0.8	1.3	0.9	1.1	1.3	1.6	1.6	1.0
South & Central Asia	17.0	25.9	28.4	20.2	21.3	26.5	22.3	21.8	22.5	20.3	20.3	19.5
Far East Asia	21.2	15.1	16.5	16.1	15.5	12.7	10.4	10.3	10.0	11.2	8.7	10.0
Other [a]	9.9	12.6	6.7	12.4	9.8	13.2	18.6	19.3	18.4	18.5	22.6	20.5
o.w. Europe	2.0	0.4	0.4	0.8	1.4	1.2	1.8	1.6	1.1	0.8	0.8	0.4
Total by region	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: UN-target donors are Denmark, Netherlands, Norway and Sweden. [a] Includes Europe, Oceania, Central America and geographically unallocated.

continues...

Appendix G2 (continued): Net ODA disbursements, allocation by geographical region, UN-target donors, 1973-96 (per cent).

	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
North Africa	1.2	2.6	2.5	1.1	1.4	2.7	0.7	1.5	1.1	1.4	1.3	1.3
Sub-Saharan Africa	42.3	46.4	43.4	45.5	38.5	41.0	37.9	38.8	37.1	35.6	34.9	35.2
South America	3.9	2.7	3.0	3.2	4.7	4.2	4.2	5.0	5.7	5.2	5.5	5.8
Middle East	1.2	1.1	1.4	1.9	1.4	2.0	2.5	2.1	2.5	2.6	4.4	4.9
South and Central Asia	19.6	18.2	16.0	14.8	17.4	13.4	12.6	11.1	10.1	11.2	11.6	10.6
Far East Asia	8.3	8.8	9.0	10.5	9.7	8.8	7.2	6.0	4.7	4.3	4.5	5.3
Other [a]	22.0	17.7	22.2	21.7	25.4	25.1	33.3	30.5	30.3	31.8	31.2	31.1
o.w. Europe	0.2	0.0	0.1	0.0	0.0	0.1	0.9	3.4	7.4	6.5	5.3	4.5
Total by region	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: UN-target donors are Denmark, Netherlands, Norway and Sweden. [a] Includes Europe, Oceania, Central America and geographically unallocated.

Source: OECD (1998a).

Appendix G3: Net ODA disbursements, allocation by income groups, all donors, 1973-96 (per cent).

	1973	*1974*	*1975*	*1976*	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
LLDCS [a]	18.3	21.5	22.7	21.3	24.3	23.4	25.6	25.3	24.2	28.2	27.1	26.4
Other Low Income [b]	19.6	21.9	20.2	21.2	16.0	14.8	15.7	18.1	18.0	18.8	19.4	19.6
Low Middle Income [c]	32.9	32.3	34.3	34.7	37.4	30.6	32.1	30.9	31.1	29.3	27.9	26.2
Upper Middle Income [d]	4.4	4.6	4.2	4.3	3.6	2.4	3.0	2.6	3.6	3.5	3.6	3.8
Higher Income [e]	6.3	4.2	5.6	7.0	8.1	6.1	6.6	5.0	5.2	5.0	6.8	6.1
Unallocated	18.4	15.5	13.2	11.5	10.7	22.8	17.1	18.1	17.9	15.1	15.2	18.0
Total by income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: [a] Least Developed Countries. [b] Countries with per capita GNP<US$765 in 1995. [c] Countries with per capita GNP between US$766 and US$3035 in 1995. [d] Countries with per capita GNP between US$3036 and US$9385 in 1995. [e] Countries with per capita GNP>US$9385 in 1995.

continues...

Appendix G3 (continued): Net ODA disbursements, allocation by income groups, all donors, 1973-96 (per cent).

	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
LLDCS [a]	28.5	28.7	30.2	29.9	29.1	27.6	25.9	27.0	26.5	26.5	27.6	24.3
Other Low Income [b]	18.0	19.4	18.0	21.8	22.8	19.0	21.5	23.1	21.8	26.8	25.5	25.4
Low Middle Income [c]	25.8	23.2	24.0	21.3	21.5	30.8	29.7	26.9	27.4	23.4	21.9	23.1
Upper Middle Income [d]	3.0	3.3	3.2	2.4	2.6	3.2	2.9	2.1	3.8	3.9	4.0	3.5
Higher Income [e]	8.1	7.4	5.3	4.8	4.6	4.0	4.3	4.7	3.9	3.3	2.4	5.2
Unallocated	16.5	18.0	19.3	19.8	19.5	15.4	15.8	16.3	16.6	16.1	18.7	18.5
Total by income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: [a] Least Developed Countries. [b] Countries with per capita GNP<US$765 in 1995. [c] Countries with per capita GNP between US$766 and US$3035 in 1995. [d] Countries with per capita GNP between US$3036 and US$9385 in 1995. [e] Countries with per capita GNP>US$9385 in 1995.

Source: OECD (1998a).

Appendix G4: Net ODA disbursements, allocation by income groups, UN-target donors, 1973-96 (per cent).

	1973	*1974*	*1975*	*1976*	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
LLDCS [a]	23.5	27.1	30.9	27.9	34.5	38.1	36.8	36.5	36.1	36.9	38.4	36.8
Other Low Income [b]	28.8	29.3	35.1	33.5	32.2	30.6	26.0	28.1	27.9	27.2	27.2	29.2
Low Middle Income [c]	29.6	25.3	20.9	22.7	19.5	15.9	18.0	16.3	15.9	17.1	12.1	12.2
Uper Middle Income [d]	2.3	1.4	0.5	0.8	0.6	0.6	0.6	0.9	1.2	0.8	0.8	0.9
Higher Income [e]	4.4	3.9	2.4	4.1	2.9	2.8	2.5	3.6	3.2	2.9	3.4	3.0
Unallocated	11.5	13.0	10.1	10.9	10.3	12.1	16.0	14.7	15.6	15.2	18.1	17.9
Total by income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: UN-target donors are Denmark, Norway, Sweden and Netherlands. [a] Least Developed Countries. [b] Countries with per capita GNP<US$765 in 1995. [c] Countries with per capita GNP between US$766 and US$3035 in 1995. [d] Countries with per capita GNP between US$3036 and US$9385 in 1995. [e] Countries with per capita GNP>US$9385 in 1995.

continues...

Appendix G4 (continued): Net ODA disbursements, allocation by income groups, UN-target donors, 1973-96 per cent).

	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
LLDCS [a]	38.6	40.6	36.3	40.8	35.4	37.5	36.6	34.1	34.1	33.0	32.8	32.7
Other Low Income [b]	25.9	26.6	23.4	24.6	25.9	20.7	17.3	18.4	16.2	19.5	20.2	19.9
Low Middle Income [c]	10.4	11.5	14.0	12.5	14.1	14.8	12.2	14.0	17.9	13.0	14.8	14.9
Upper Middle Income [d]	1.1	1.1	0.9	1.0	1.0	1.6	1.9	1.5	3.2	3.8	3.5	3.5
Higher Income [e]	4.0	3.6	2.7	2.1	2.3	2.0	2.6	2.5	2.4	1.5	2.3	2.6
Unallocated	20.0	16.6	22.7	18.9	21.4	23.4	29.5	29.4	26.3	29.2	26.4	26.5
Total by income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: UN-target donors are Denmark, Norway, Sweden and Netherlands. [a] Least Developed Countries. [b] Countries with per capita GNP<US$765 in 1995. [c] Countries with per capita GNP between US$766 and US$3035 in 1995. [d] Countries with per capita GNP between US$3036 and US$9385 in 1995. [e] Countries with per capita GNP>US$9385 in 1995.

Source: OECD (1998a).

Appendix H: Bilateral ODA commitments, financial terms data, DAC donors, 1973-96 (per cent).

	1973	*1974*	*1975*	*1976*	*1977*	*1978*	*1979*	*1980*
Japan								
Grant share of ODA [a]	15.8	7.1	0.0	7.2	7.0	12.6	18.7	15.0
Loan share of ODA	84.2	92.9	100.0	92.8	93.0	87.4	81.3	85.0
GE of ODA loans	48.1	46.4	51.3	50.8	51.1	50.9	54.2	55.7
GE of ODA	56.3	50.2	51.3	54.3	54.5	57.1	62.8	62.4
United States								
Grant share of ODA [a]	34.2	35.8	0.0	0.0	0.0	0.0	19.7	59.9
Loan share of ODA	65.8	64.2	100.0	100.0	100.0	100.0	80.3	40.1
GE of ODA loans	67.4	64.8	64.9	64.7	65.3	65.9	65.8	65.1
GE of ODA	78.5	77.4	64.9	64.7	65.3	65.9	72.5	86.0
France								
Grant share of ODA [a]	72.5	34.3	68.3	27.9	48.4	15.8	21.9	18.7
Loan share of ODA	27.5	65.7	31.7	72.1	51.6	84.2	78.1	81.3
GE of ODA loans	47.6	42.7	47.1	46.1	45.6	43.8	42.6	46.9
GE of ODA	85.6	62.4	83.2	61.1	71.9	52.7	55.2	56.8
Germany								
Grant share of ODA [a]	16.0	6.5	11.1	10.3	7.9	11.5	27.2	48.5
Loan share of ODA	84.0	93.5	88.9	89.7	92.1	88.5	72.8	51.5
GE of ODA loans	65.6	66.1	65.7	65.8	64.1	67.3	61.1	60.5
GE of ODA	71.2	68.3	69.5	69.4	67.0	71.1	71.6	79.7
DAC donors total								
Grant share of ODA [a]	35.1	30.2	24.3	23.8	31.8	39.2	38.7	48.1
Loan share of ODA	64.9	69.8	75.7	76.2	68.2	60.8	61.3	51.9
GE of ODA loans	63.3	59.1	63.2	62.3	60.5	61.4	59.9	58.4
GE of ODA	76.1	71.4	72.1	71.2	73.0	76.5	75.4	78.4

Cont.

UN-target donors [b]								
Grant share of ODA [a]	63.2	68.7	76.1	69.3	77.8	74.7	79.8	71.4
Loan share of ODA	36.8	31.3	23.9	30.7	22.2	25.3	20.2	28.6
GE of ODA loans	69.3	67.4	72.1	61.9	65.5	68.1	69.5	63.3
GE of ODA	88.7	89.8	93.3	88.3	92.3	91.9	93.8	89.5

Notes: GE = grant element. [a] Grants refer to both ODA grants as well as equity investment and grant-like loans since these have a grant element of 100 percent also. [b] Denmark, the Netherlands, Norway and Sweden.

continues...

Appendix H (continued): Bilateral ODA commitments, financial terms data, DAC donors, 1973-96 (per cent).

	1981	*1982*	*1983*	*1984*	*1985*	*1986*	*1987*	*1988*
Japan								
Grant share of ODA [a]	17.8	19.1	20.3	19.8	20.0	27.1	18.7	18.7
Loan share of ODA	82.2	80.9	79.7	80.2	80.0	72.9	81.3	81.3
GE of ODA loans	54.6	55.5	53.3	50.9	48.7	50.6	52.4	56.9
GE of ODA	62.6	64.0	62.7	60.6	58.9	64.0	61.3	65.0
United States								
Grant share of ODA [a]	70.7	70.9	73.8	70.3	85.1	86.4	88.2	81.6
Loan share of ODA	29.3	29.1	26.2	29.7	14.9	13.6	11.8	18.4
GE of ODA loans	62.0	64.1	61.4	64.0	63.4	63.5	6.7	64.5
GE of ODA	88.9	89.6	89.9	89.3	94.5	95.1	95.7	93.5
France								
Grant share of ODA [a]	18.1	14.4	15.9	11.9	12.1	11.9	16.4	16.8
Loan share of ODA	81.9	85.6	84.1	88.1	87.9	88.1	83.6	83.2
GE of ODA loans	47.5	45.4	47.4	47.4	50.3	48.3	44.9	55.0
GE of ODA	57.0	53.3	55.7	53.7	56.4	54.4	53.9	62.6
Germany								
Grant share of ODA [a]	24.0	25.7	30.6	24.0	42.9	28.7	26.0	23.7
Loan share of ODA	76.0	74.3	69.4	76.0	57.1	71.3	74.0	76.3
GE of ODA loans	57.8	63.0	60.0	52.8	50.6	49.6	50.6	53.9
GE of ODA	67.9	72.5	72.2	64.1	71.8	64.0	63.4	64.9
DAC donors total								
Grant share of ODA [a]	46.3	50.5	54.6	52.7	63.1	64.6	55.9	49.1
Loan share of ODA	53.7	49.5	45.4	47.3	36.9	35.4	44.1	50.9
GE of ODA loans	57.1	57.4	55.1	55.7	53.3	53.6	51.9	56.6
GE of ODA	76.9	78.9	79.6	79.1	82.8	83.6	78.8	77.9

Cont.

UN-target donors [b]								
Grant share of ODA [a]	81.3	82.8	80.7	83.3	85.8	87.5	88.9	87.9
Loan share of ODA	18.7	17.2	19.3	16.7	14.2	12.5	11.1	12.1
GE of ODA loans	67.9	69.5	64.2	64.4	68.7	70.6	56.6	53.5
GE of ODA	94.0	94.7	93.1	94.0	95.6	96.3	95.2	94.4

Notes: GE = grant element. [a] Grants refer to both ODA grants as well as equity investment and grant-like loans since these have a grant element of 100 percent also. [b] Denmark, the Netherlands, Norway and Sweden.

continues...

Appendix H (continued): Bilateral ODA commitments, financial terms data, DAC donors, 1973-96 (per cent).

	1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
Japan								
Grant share of ODA [a]	23.0	16.0	13.7	7.4	16.5	24.7	18.3	16.7
Loan share of ODA	77.0	84.0	86.3	92.6	83.5	75.3	81.7	83.3
GE of ODA loans	58.5	57.2	58.8	58.4	58.3	63.0	65.5	65.9
GE of ODA	68.1	64.0	64.5	61.5	65.2	72.2	71.8	71.6
United States								
Grant share of ODA [a]	93.4	90.3	56.6	94.7	95.0	96.8	96.2	0.0
Loan share of ODA	6.6	9.7	43.4	5.3	5.0	3.2	3.8	100.0
GE of ODA loans	62.6	63.5	55.4	58.7	59.2	59.2	53.6	53.1
GE of ODA	97.5	96.4	80.7	97.8	98.0	98.7	98.3	53.1
France								
Grant share of ODA [a]	16.4	21.8	32.9	32.6	26.1	55.6	43.5	46.7
Loan share of ODA	83.6	78.2	67.1	67.4	73.9	44.4	56.5	53.3
GE of ODA loans	56.9	50.5	40.8	48.5	50.6	53.7	54.0	50.6
GE of ODA	64.0	61.3	60.3	65.3	63.5	79.5	74.0	73.7
Germany								
Grant share of ODA [a]	18.0	44.4	37.0	7.8	25.8	34.2	65.6	28.6
Loan share of ODA	82.0	55.6	63.0	92.2	74.2	65.8	34.4	71.4
GE of ODA loans	57.5	50.2	51.9	54.5	57.9	56.5	57.3	60.7
GE of ODA	65.1	72.3	69.7	58.1	68.7	71.4	85.3	72.0
DAC donors total								
Grant share of ODA [a]	56.2	56.8	44.9	31.8	49.7	57.8	57.9	49.9
Loan share of ODA	43.8	43.2	55.1	68.2	50.3	42.2	42.1	50.1
GE of ODA loans	57.5	55.3	56.5	56.9	57.4	60.0	63.2	63.3
GE of ODA	81.4	80.7	76.0	70.6	78.6	83.1	84.5	81.6

Cont.

UN-target donors [b]								
Grant share of ODA [a]	92.4	94.1	97.7	97.5	99.8	99.5	99.5	99.8
Loan share of ODA	7.6	5.9	2.3	2.5	0.2	0.5	0.5	0.2
GE of ODA loans	50.9	59.4	61.7	48.5	27.1	44.2	51.7	29.1
GE of ODA	96.3	97.6	99.1	98.7	99.9	99.7	99.8	99.8

Notes: GE = grant element. [a] Grants refer to both ODA grants as well as equity investment and grant-like loans since these have a grant element of 100 percent also. [b] Denmark, the Netherlands, Norway and Sweden.

Source: Authors calculations based on data from OECD (1998c).

Appendix I: Bilateral ODA commitments, share of untied aid, DAC donors, 1979-97 (per cent).

	1979	*1980*	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*	*1987*	*1988*
Austria	1.4	0.7	3.4	3.1	4.3	4.4	3.0	3.3	2.7	1.9
Australia	64.8	66.4	60.0	58.3	62.8	57.9	53.4	49.8	48.3	56.3
Belgium	27.0	25.7	29.0	22.9	26.3	49.4	37.5	44.0	37.9	n.a.
Canada	17.5	10.0	18.0	17.3	3.5	44.4	42.3	45.2	n.a.	38.0
Denmark	66.4	57.6	63.6	65.5	61.4	59.3	60.4	63.3	60.2	72.2
Finland	94.5	37.2	84.9	82.6	n.a.	70.0	80.9	50.0	24.0	26.5
France	38.9	43.3	42.5	37.4	38.6	39.0	42.5	42.4	50.8	50.7
Germany	77.4	82.2	74.3	70.4	55.6	67.8	63.7	64.5	56.1	54.8
Ireland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	100.1	100.0	42.8	90.0
Italy	80.4	26.4	71.6	54.2	55.3	13.8	16.6	9.3	13.4	123
Japan	27.6	25.8	36.8	55.1	55.6	66.1	60.8	64.0	60.8	72.8
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Netherlands	67.9	55.9	57.3	55.0	60.0	52.1	60.3	57.3	43.2	40.8
New Zealand	100.0	48.3	36.4	38.9	53.6	53.9	78.0	57.1	51.6	47.6
Norway	72.8	68.8	73.6	63.5	70.3	80.9	70.3	77.3	56.9	57.6
Portugal	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	78.8	83.5	84.0	82.7	83.4	76.7	68.8	68.7	65.1	64.8
Switzerland	39.1	60.7	50.1	65.4	66.8	68.2	67.3	70.3	57.5	79.5

United Kingdom	15.6	25.2	20.5	21.9	25.6	26.6	27.6	22.1	22.8	17.4
United States	31.8	26.8	33.4	34.7	38.3	37.0	40.9	45.0	33.2	26.1
DAC donors total	44.0	44.1	44.1	45.2	45.5	47.0	47.3	49.5	42.9	48.8

continues...

Appendix I (continued): Bilateral ODA commitments, share of untied aid, DAC donors, 1979-97 (per cent).

	1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Austria	3.1	38.8	44.9	79.5	44.8	n.a.	25.0	n.a.	60.6
Australia	10.4	15.7	12.6	36.9	41.9	44.4	n.a.	78.1	63.1
Belgium	n.a.	n.a.	10.5	15.4	n.a.	n.a.	n.a.	n.a.	49.9
Canada	41.4	38.8	41.7	38.8	61.9	44.1	31.5	31.5	33.4
Denmark	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	61.3	61.3	71.6
Finland	20.8	27.4	27.8	50.6	59.0	47.0	75.8	60.1	76.8
France	47.8	47.1	44.7	31.5	31.5	50.9	58.4	38.7	n.a.
Germany	33.8	43.6	45.8	44.8	47.9	44.3	60.3	60.0	n.a.
Ireland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	9.1	16.6	7.0	27.7	43.1	66.4	59.8	n.a.	45.6
Japan	70.2	77.0	79.7	73.5	83.9	81.5	96.3	98.9	99.6
Luxembourg	n.a.	n.a.	n.a.	68.3	n.a.	n.a.	n.a.	94.3	95.2
Netherlands	45.8	51.2	56.3	27.6	n.a.	94.8	78.9	82.2	90.0
New Zealand	n.a.	100.0	100.0	100.0	n.a.	n.a.	n.a.	n.a.	n.a.
Norway	71.3	61.3	n.a.	81.7	81.8	85.0	77.0	88.4	91.1
Portugal	n.a.	n.a.	93.7	3.3	63.8	93.2	98.2	100.0	99.1
Spain	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	71.1	78.5	83.7	85.4	85.0	81.7	93.9	64.0	74.5
Switzerland	74.9	63.0	n.a.	64.4	91.4	95.8	91.3	92.9	94.9

United Kingdom	24.0	n.a.	n.a.	33.3	35.2	45.8	86.2	86.1	71.7
United States	34.9	69.5	69.3	37.4	37.4	n.a.	27.3	28.4	n.a.
DAC donors total	43.8	59.4	58.8	48.2	57.9	66.1	69.6	70.8	87.6

Source: OECD (1998b).

Appendix J: Aid diamonds, DAC donors, 1987 and 1996.

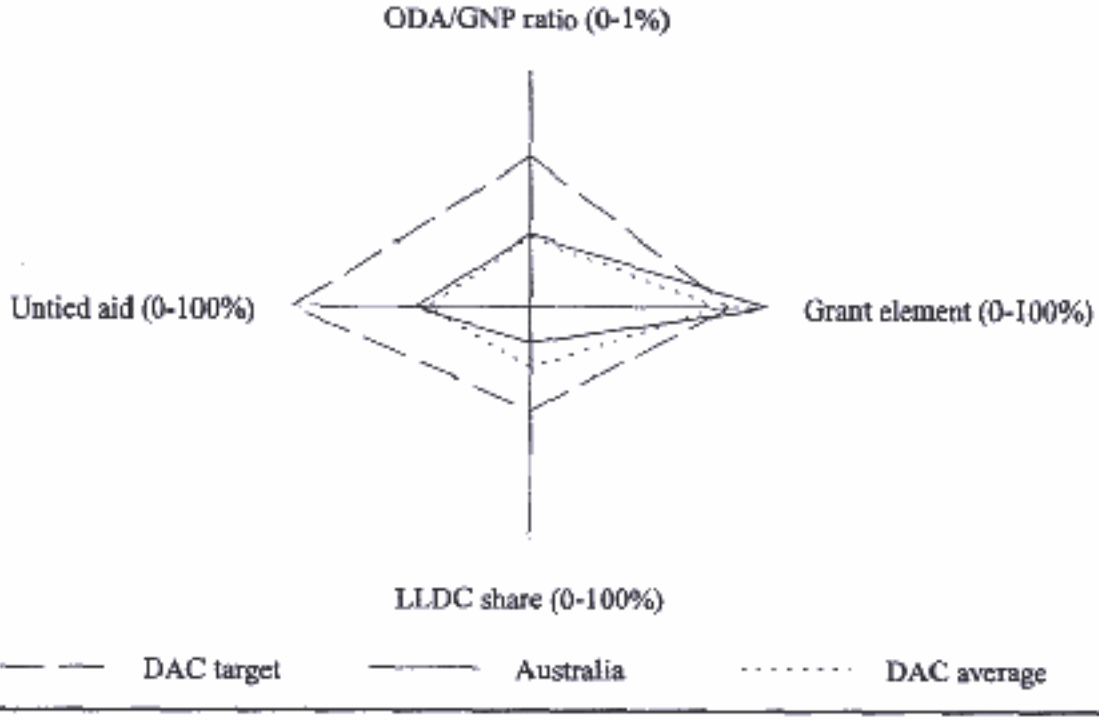
Explanatory Note

Interpretation. For each year 1987 and 1996, the charts display the aid effort of each individual DAC donor, as set against the average DAC effort, as well as against the targets agreed upon by DAC members. There are four axis to the diamond, which represent: (i) aid volume, measured as a per cent of donor GNP, (ii) the grant element, (iii) the share of net aid disbursement going to the least developed countries (LLDCs), and (iv) the percentage of bilateral aid commitments which is untied. Aid quality is higher the higher each of these figures, so that the better a donor's aid programme then the larger the diamond. In case of untied aid, in the absence of quantitative DAC targets, the 'target' used should be understood as the maximum level of untying to which donors/recipients can aspire. The DAC target for aid to LLDCs is 0.15 per cent of GNP. We have converted this figure to the share of a donor's aid which would have to go to LLDCs in order to meet this target by dividing through by the donor's ODA/GNP ratio. If a donor's ratio is less than 0.15 per cent of GNP (e.g. the US in 1996 and Spain and Portugal in 1987), then they would have to give over 100 per cent of their aid to LLDCs to meet the DAC target. In such cases the diamond for the DAC target is 'truncated' at the 100 per cent point. In cases where data is not available, this is indicated by 'n.a.' in parentheses.

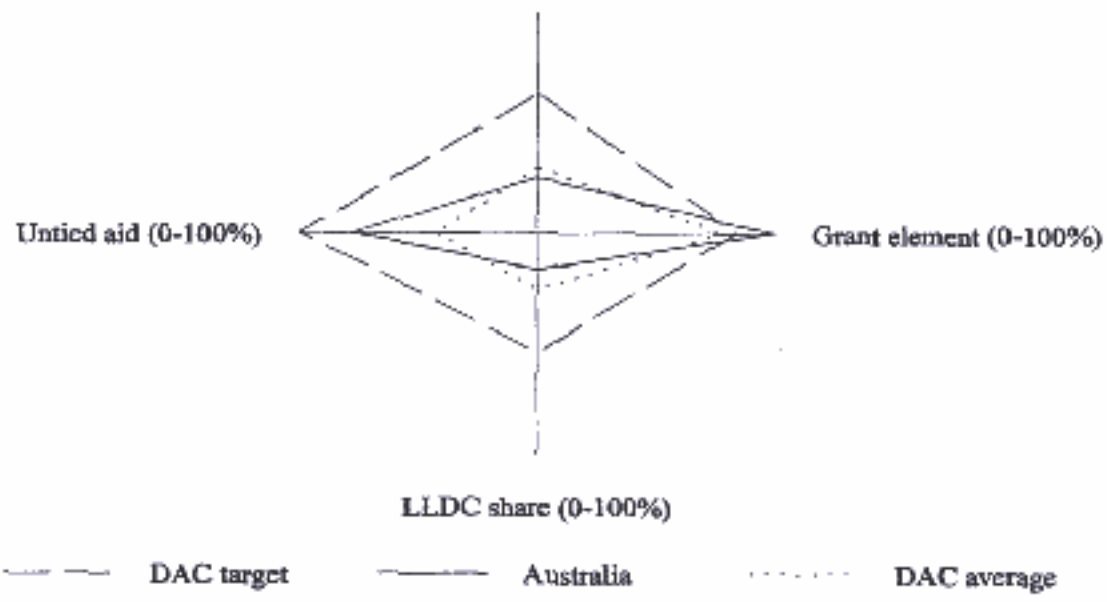
Target definitions. (i) The DAC target for the ODA/GNP ratio is set at (the UN-target of) 0.70 per cent (times 100 to facilitate the graphical illustration). (ii) The DAC target for the grant element is set at 84 per cent (see section 1.3 on financial terms). (iii) The DAC target for low-income country allocation (the LLDC target) is set at 0.15 per cent of GNP divided by the ODA/GNP ratio - i.e. the target is year and donor volume specific (see above). (iv) The DAC 'target' for untied aid (the maximum achievable share) is set at 100 per cent.

Sources. (i) ODA/GNP ratio: Annex E). (ii) Grant element: Authors calculations based on data from OECD, (Creditor Reporting System) *CRS On-line Database* (www.oecd.org/DAC), Paris (1998). Please note the grant element data for Sweden in 1996 is not available, but is set at 100 percent based on the performance of previous years (100 percent in all years during 1987-95). (iii) LLDC share: Authors calculations based on data from OECD, *Geographical Distribution of Financial Flows to Aid Recipients* (CD-Rom), Paris (1998). (iv) Untied aid share: Annex I.

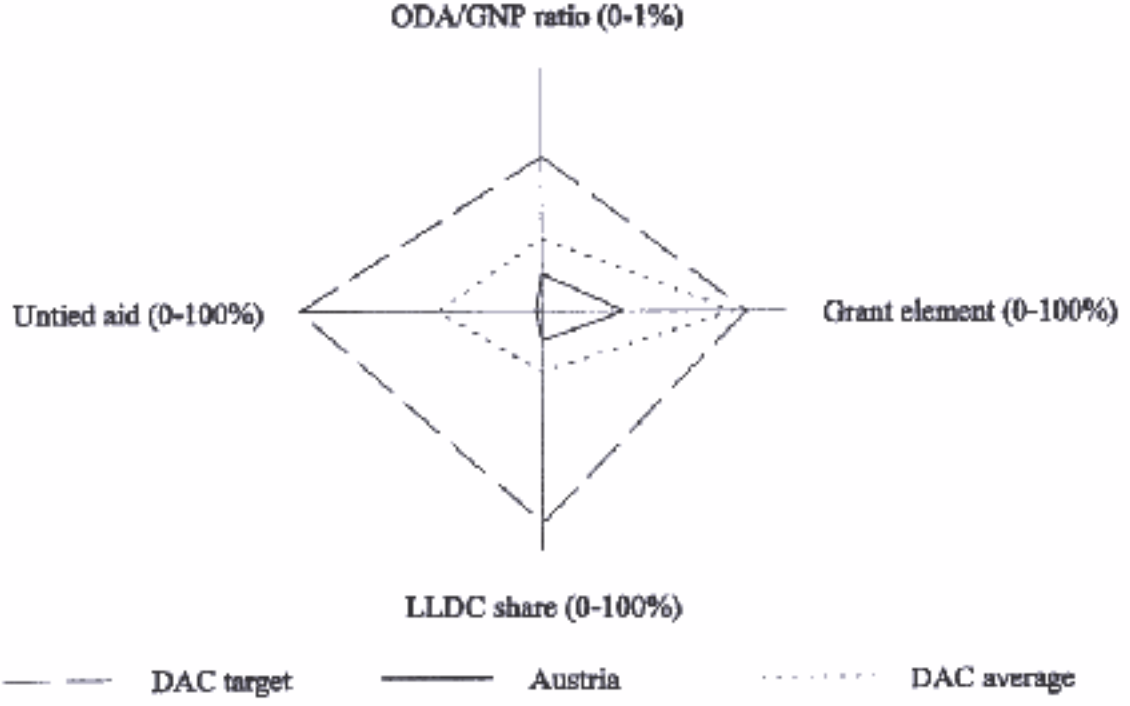
Aid diamond, Australia, 1987



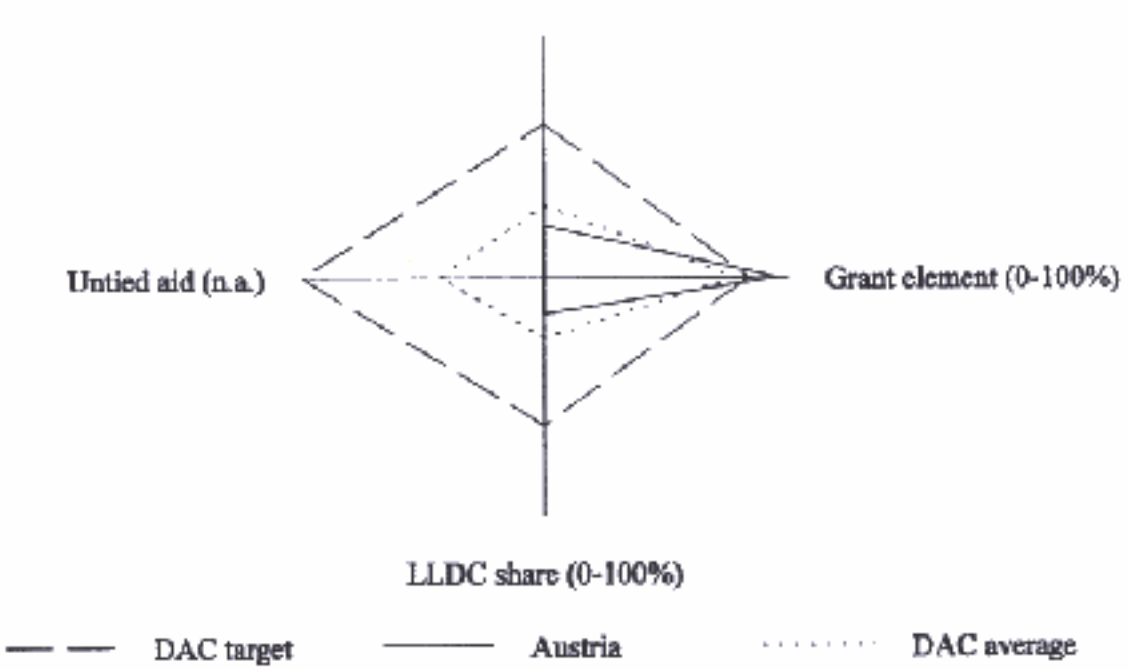
Aid diamond, Australia, 1996



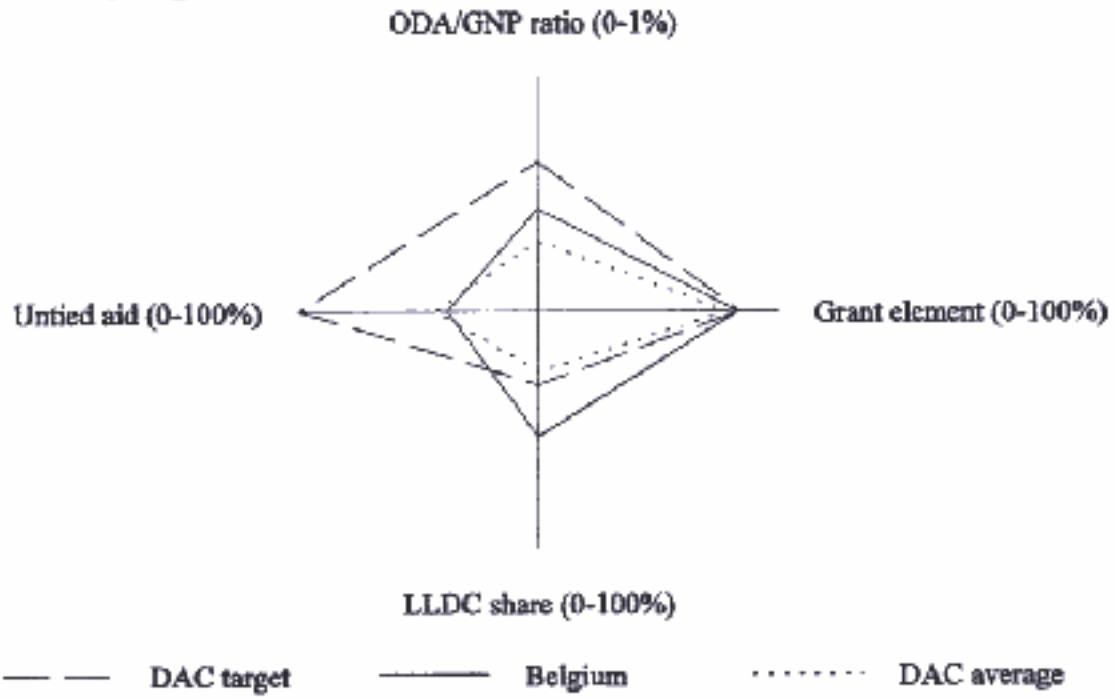
Aid diamond, Austria, 1987



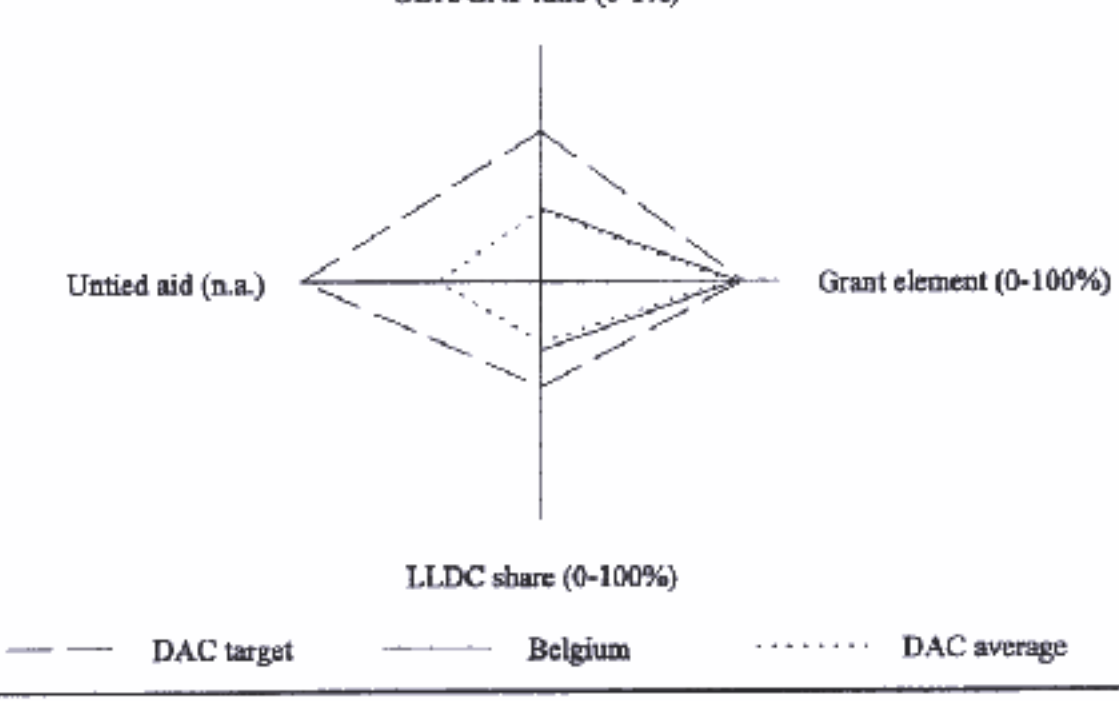
Aid diamond, Austria, 1996



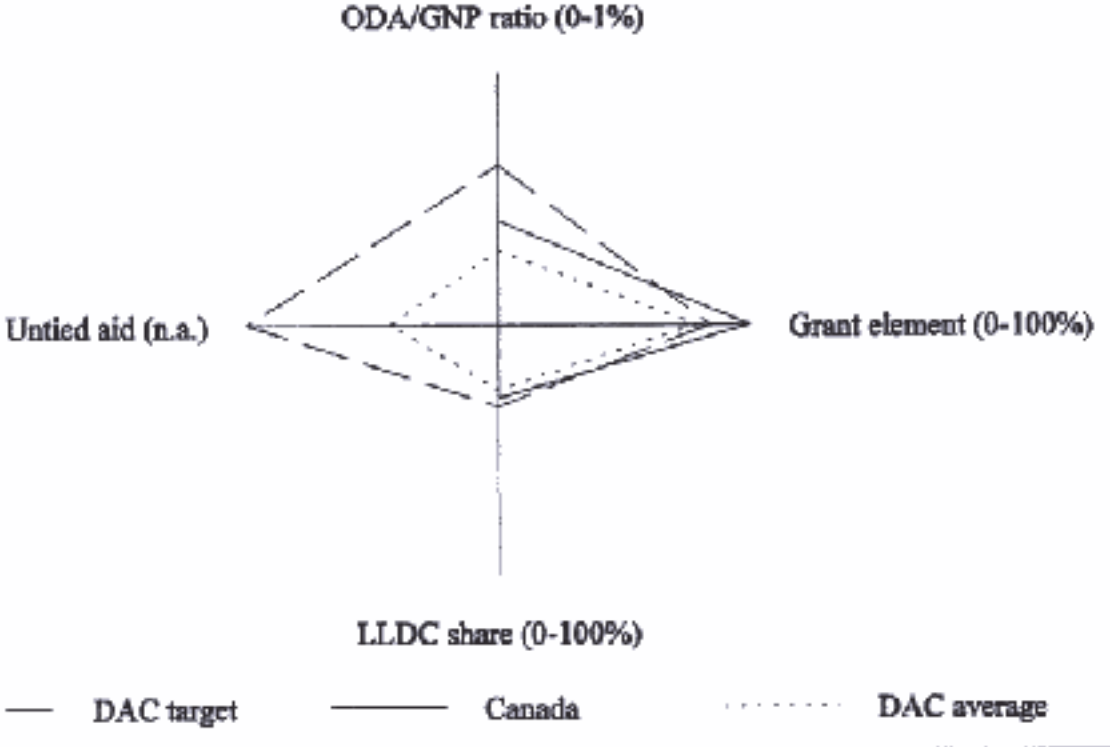
Aid diamond, Belgium, 1987



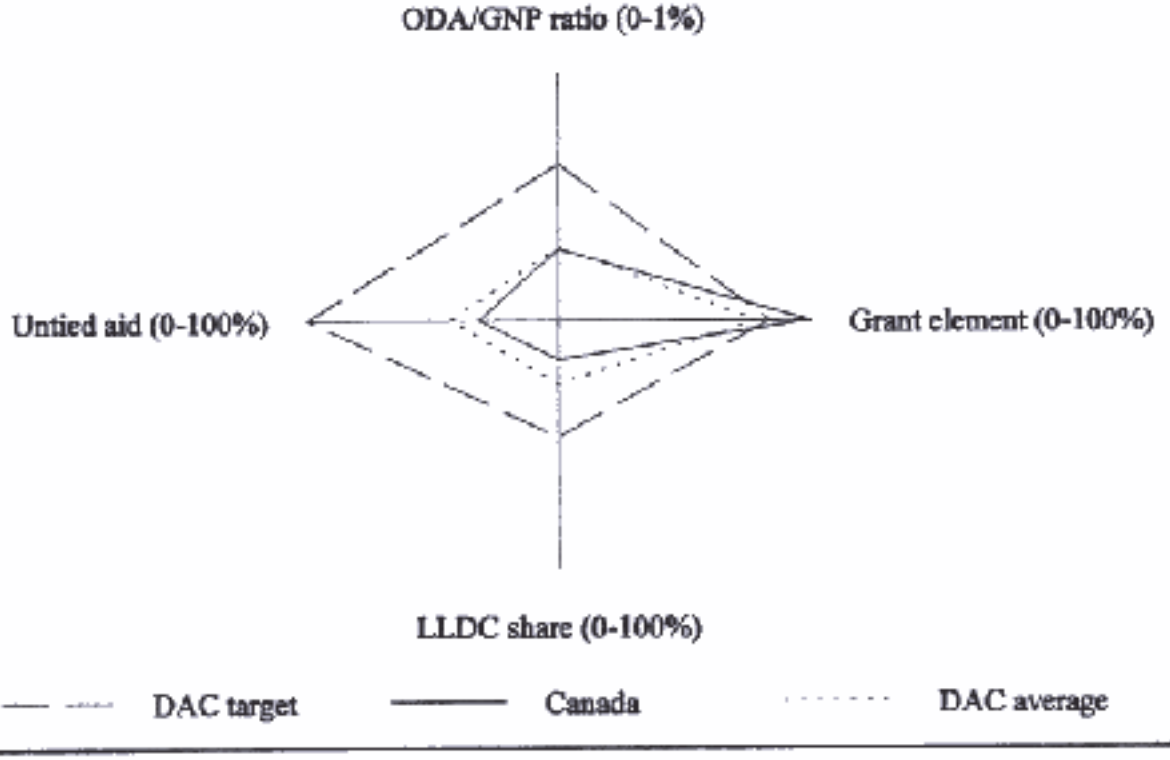
Aid diamond, Belgium, 1996



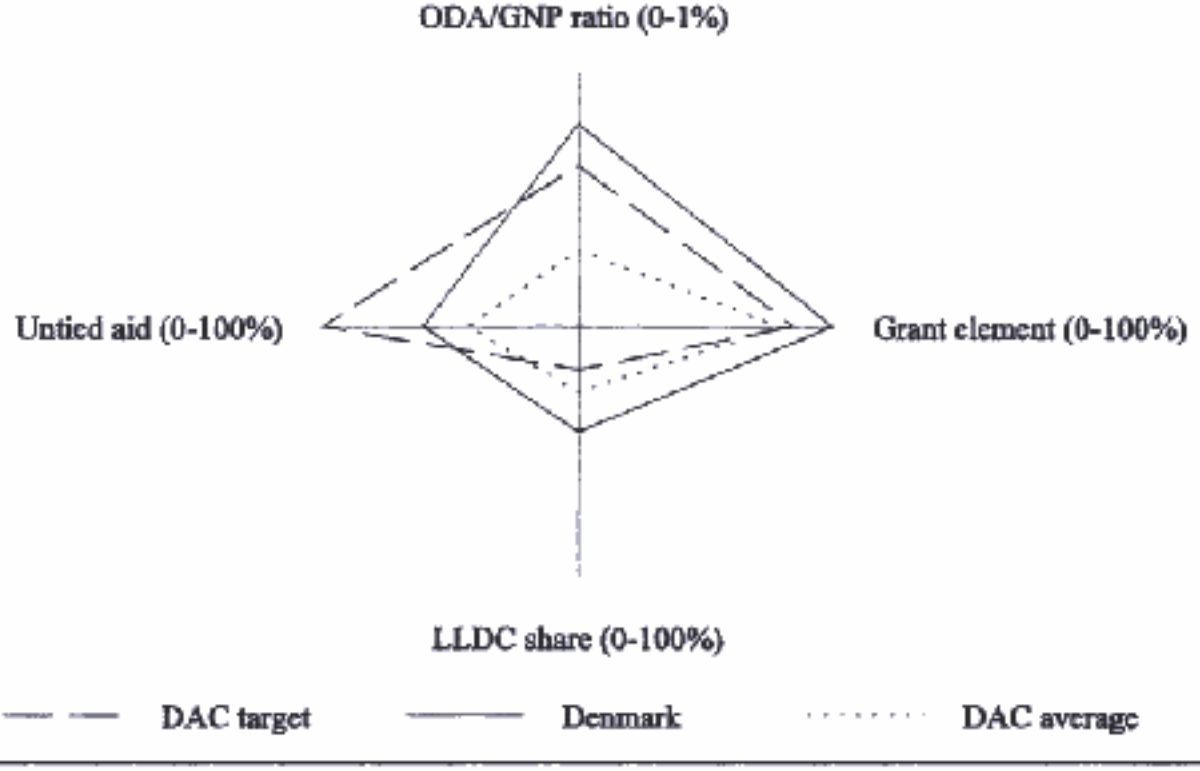
Aid diamond, Canada, 1987



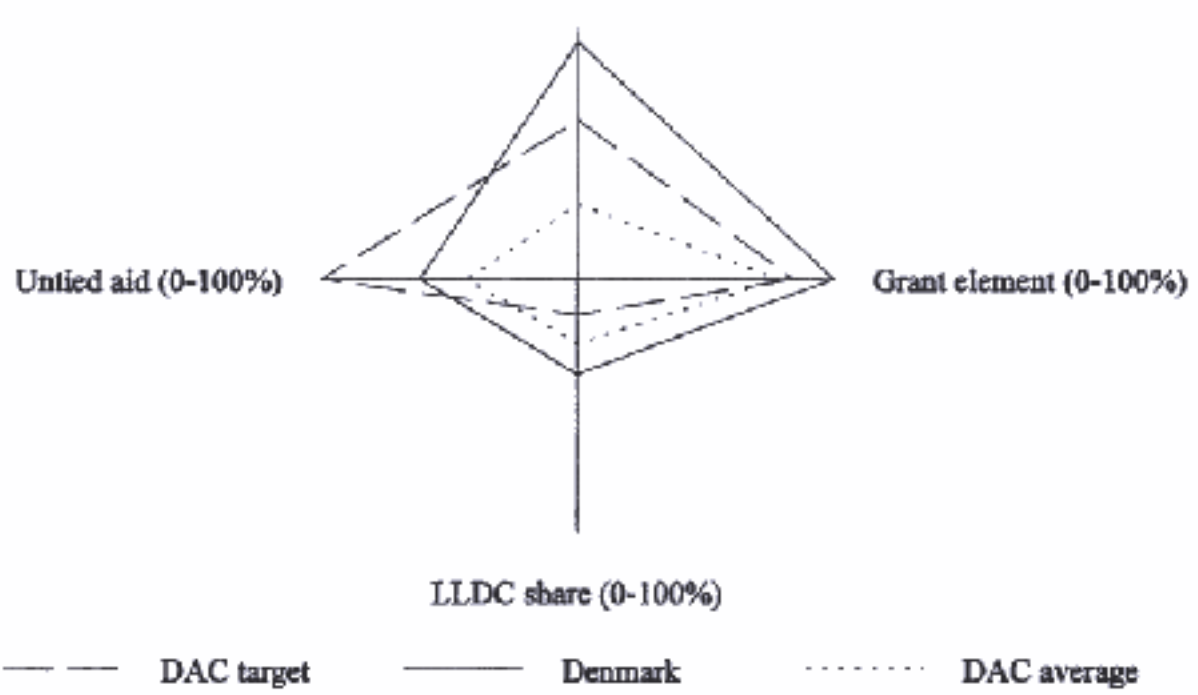
Aid diamond, Canada, 1996



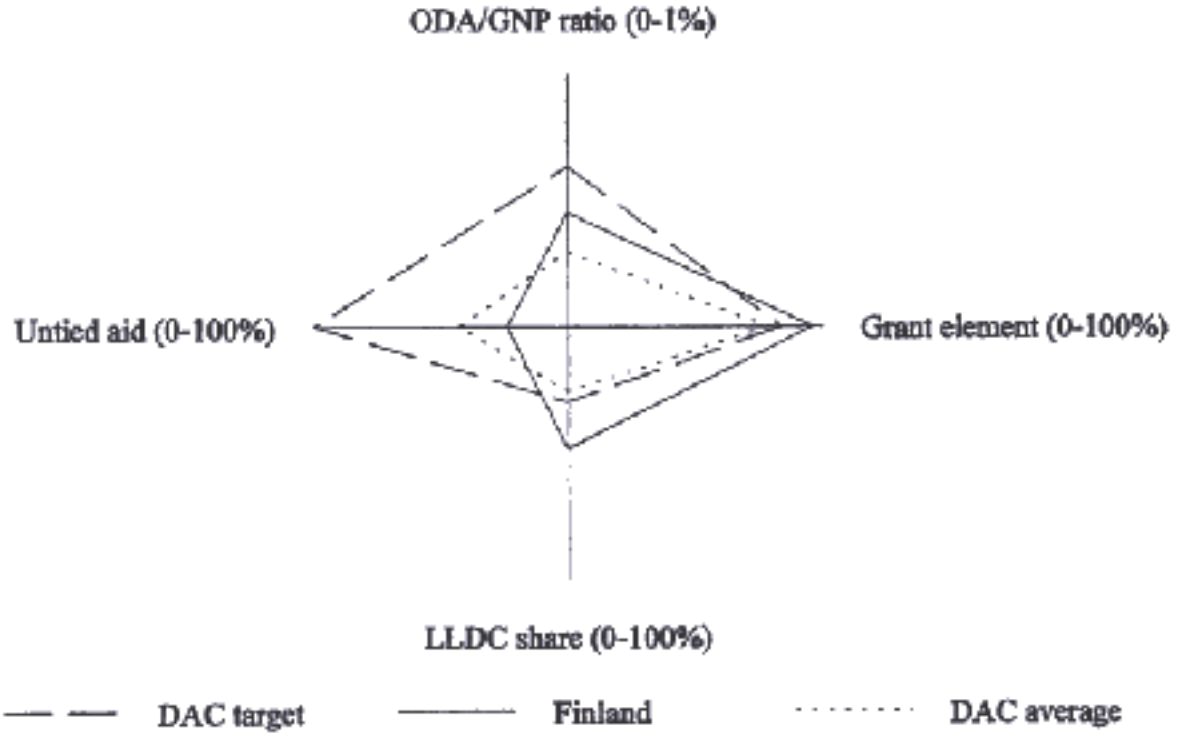
Aid diamond, Denmark, 1987



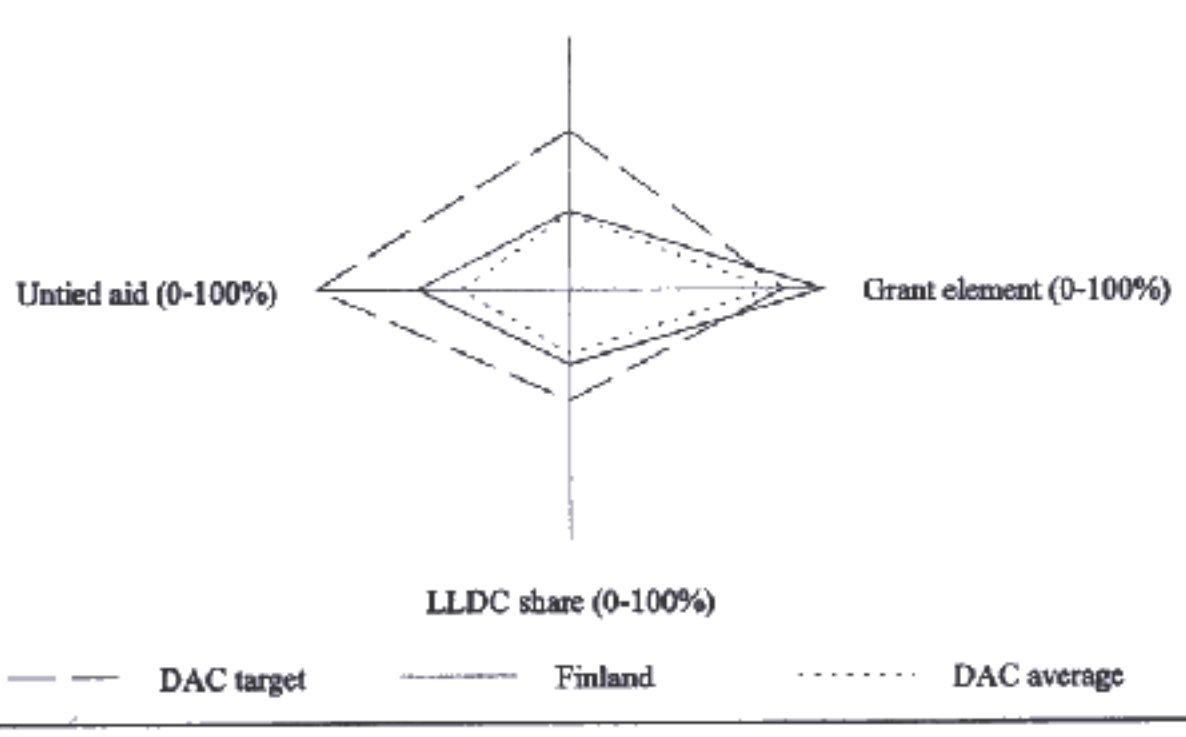
Aid diamond, Denmark, 1996

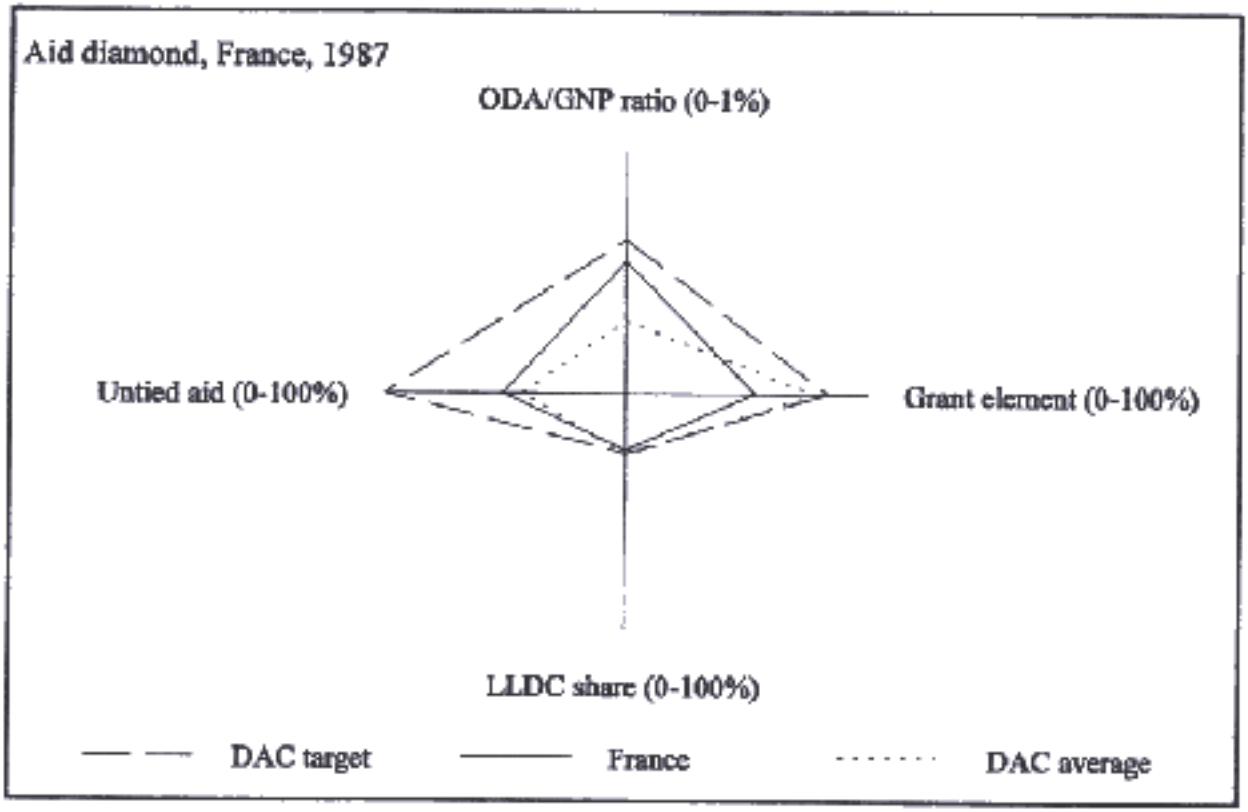


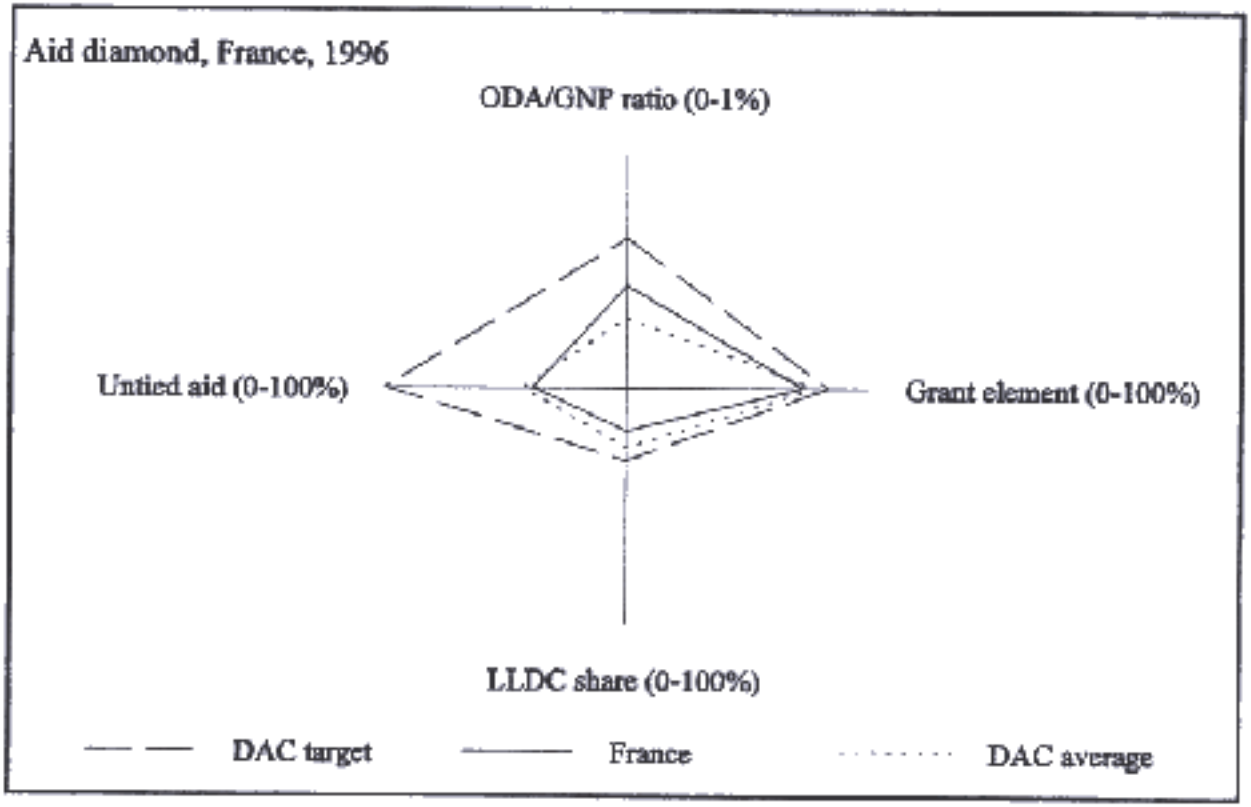
Aid diamond, Finland, 1987



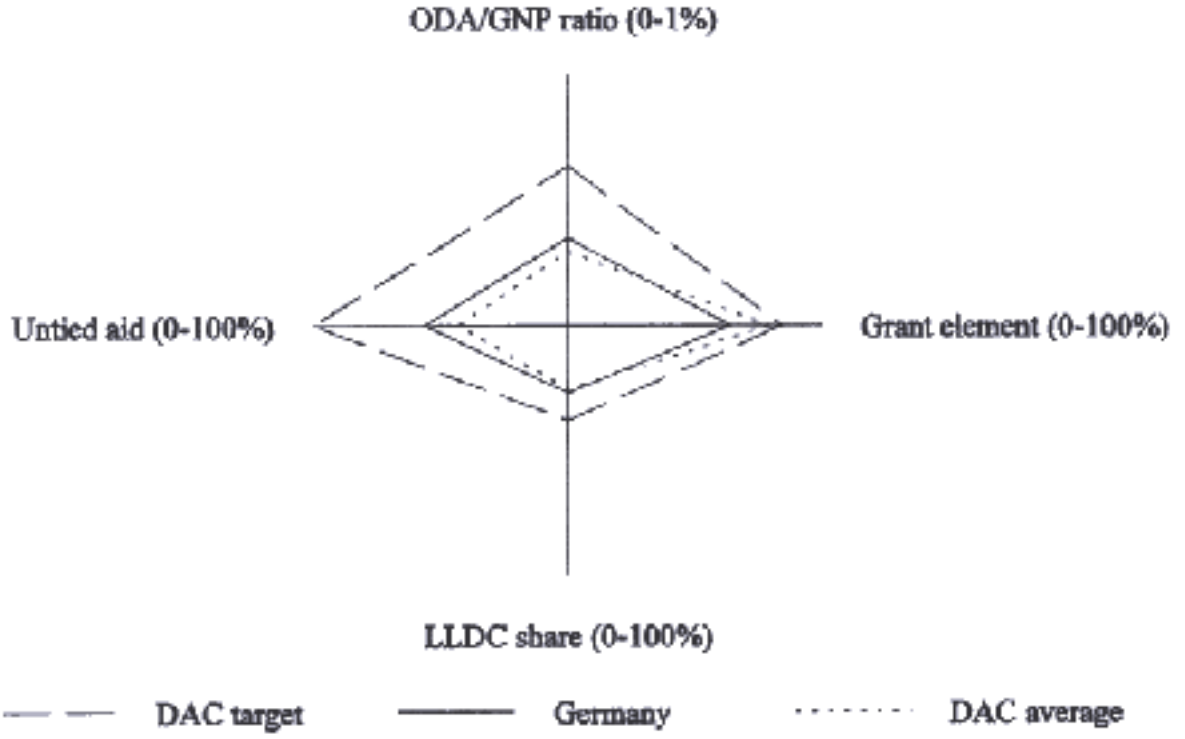
Aid diamond, Finland, 1996



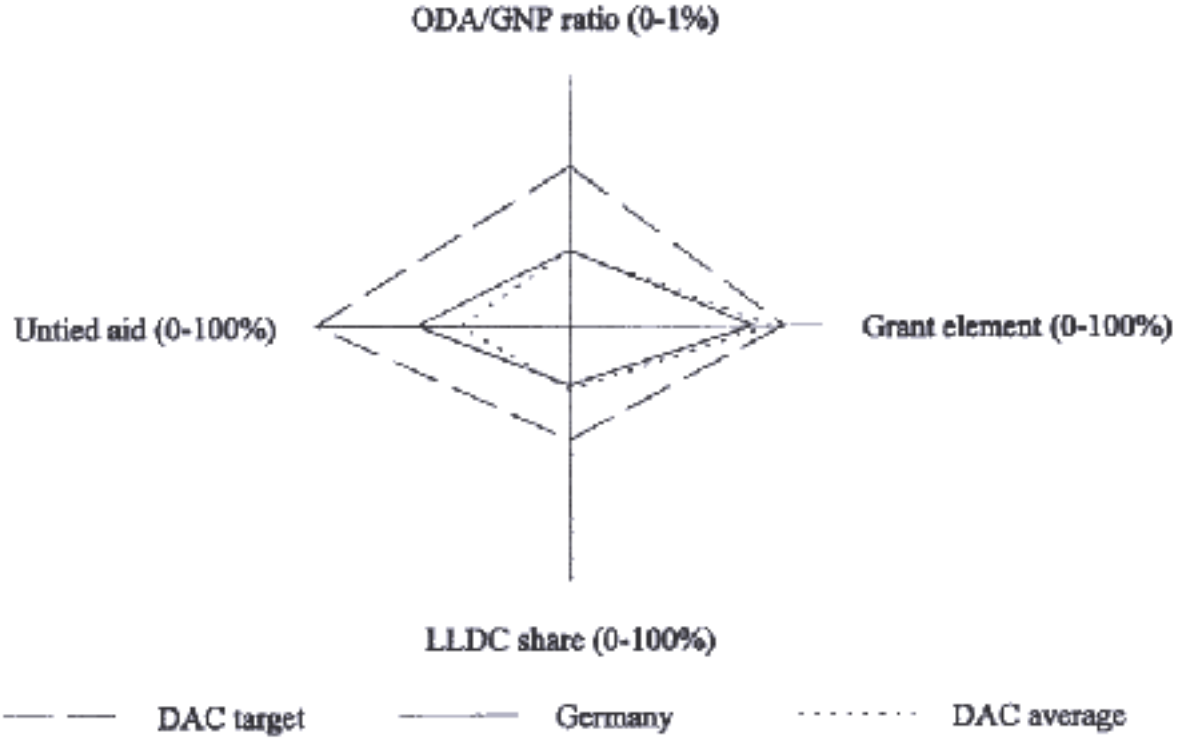

Aid diamond, France, 1987
ODA/GNP ratio (0-1%)
Untied aid (0-100%)
Grant element (0-100%)
LLDC share (0-100%)
DAC target
France
DAC average


Aid diamond, France, 1996
ODA/GNP ratio (0-1%)
Untied aid (0-100%)
Grant element (0-100%)
LLDC share (0-100%)
DAC target
France
DAC average

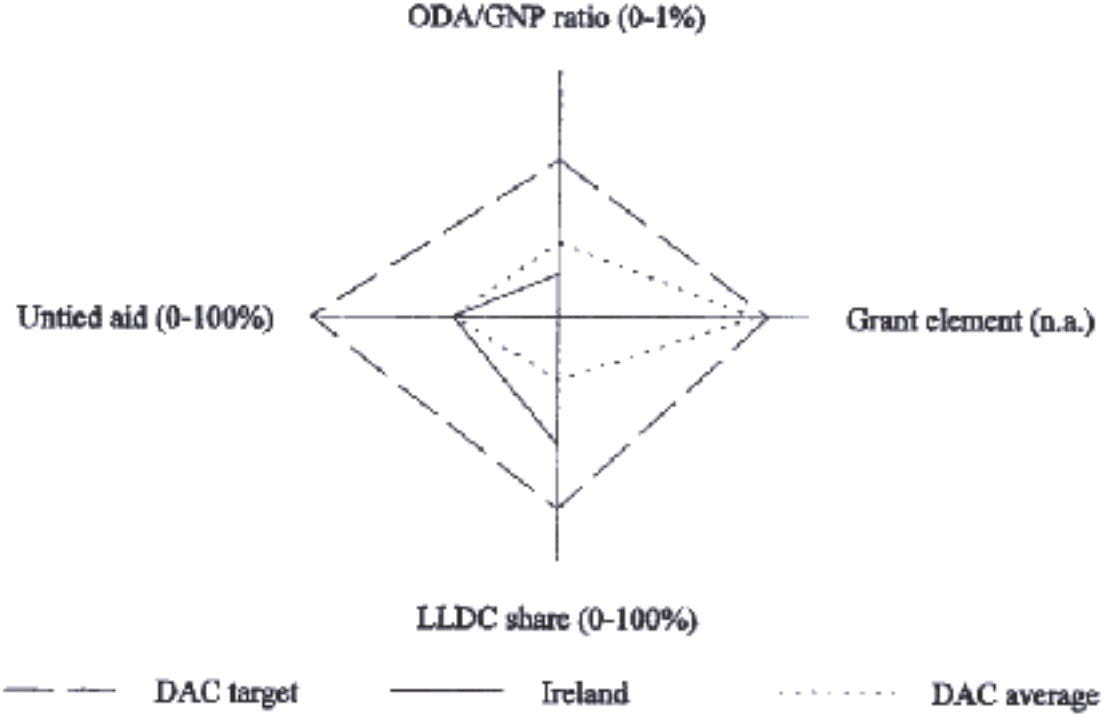
Aid diamond, Germany, 1987



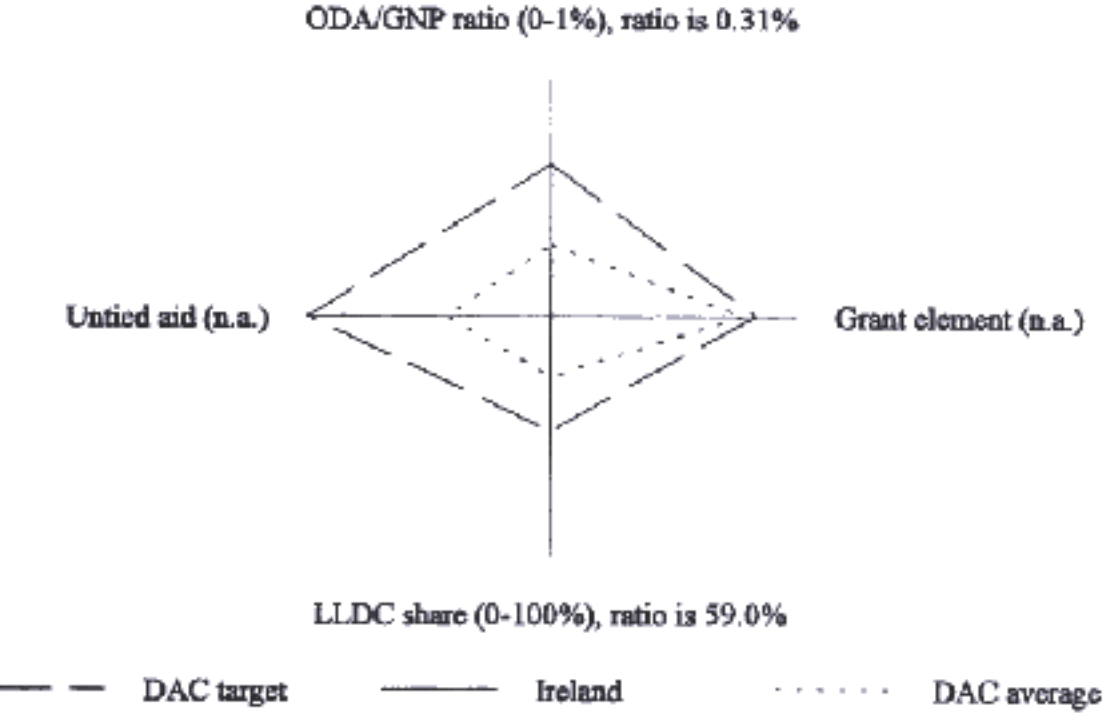
Aid diamond, Germany, 1996



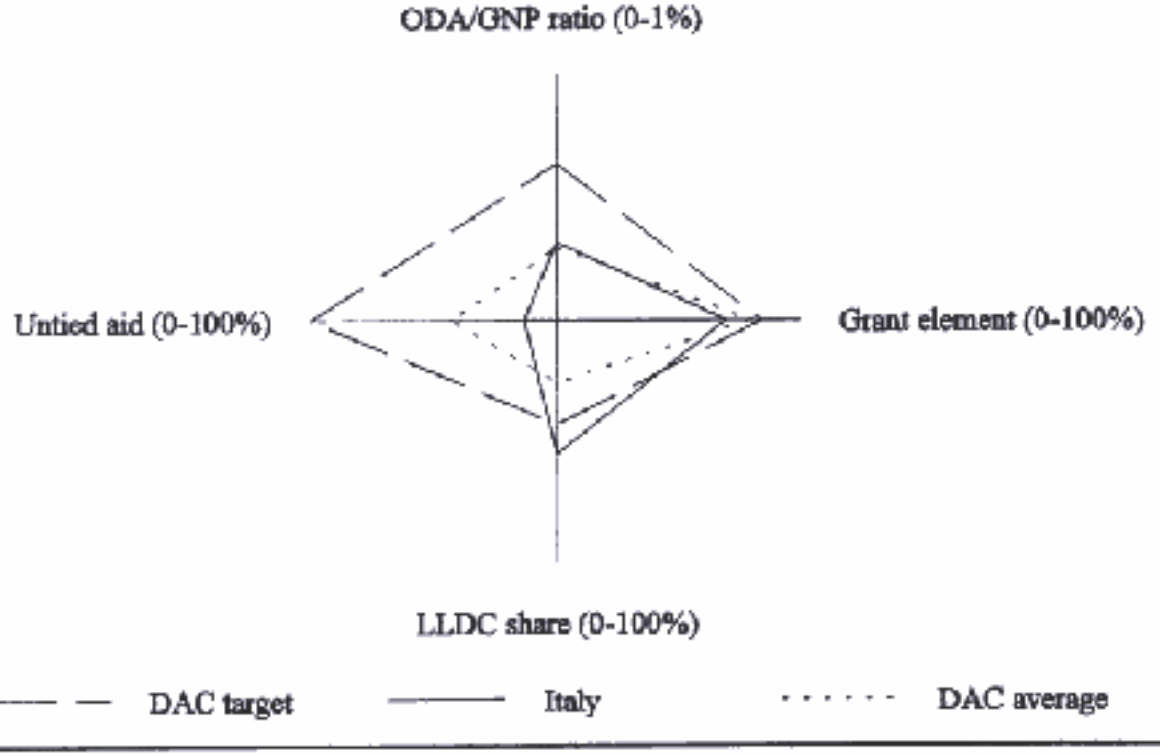
Aid diamond, Ireland, 1987



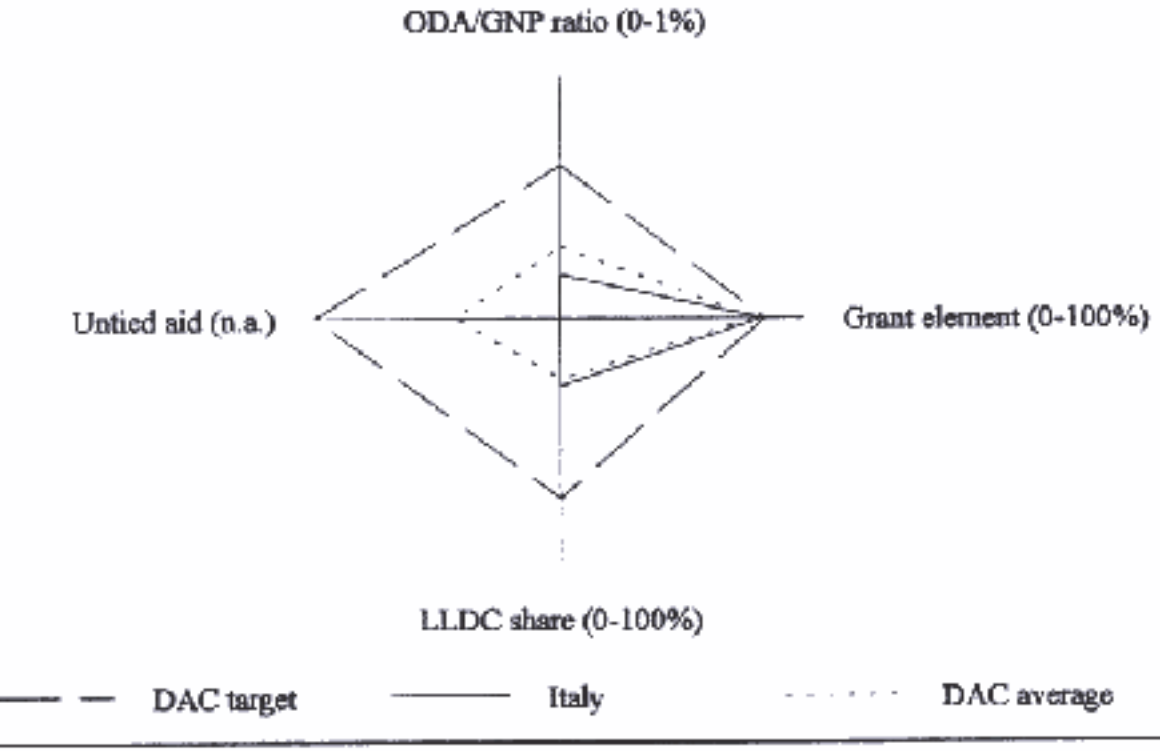
Aid diamond, Ireland, 1996



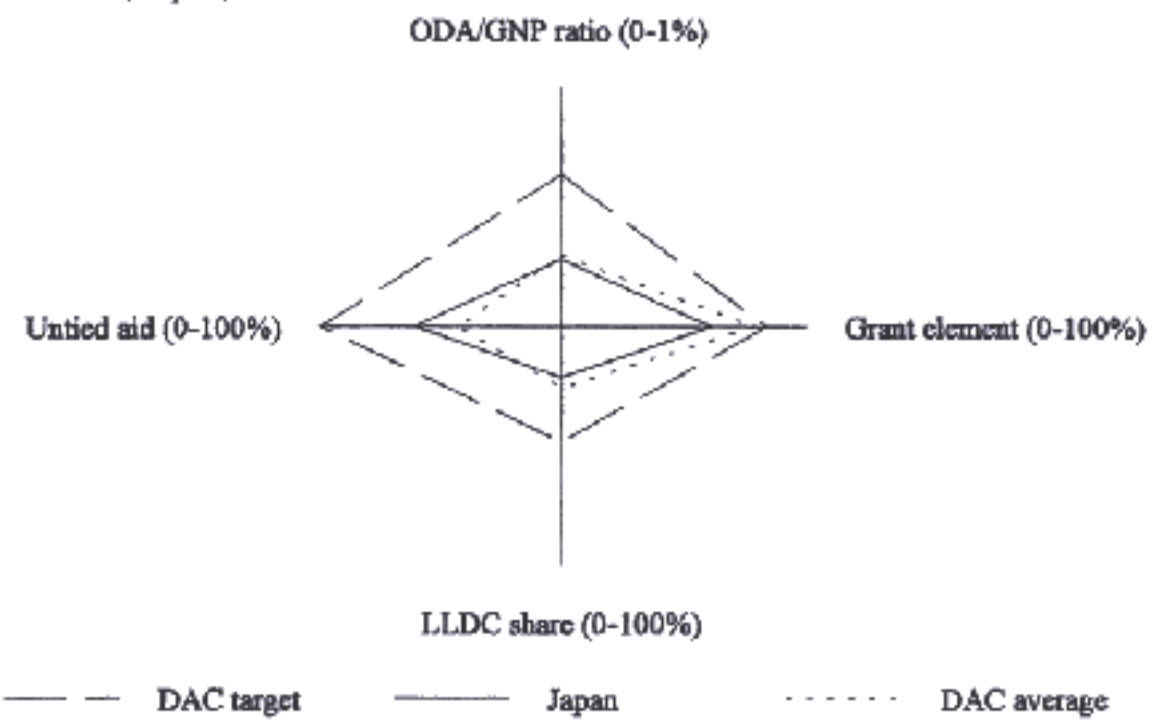
Aid diamond, Italy, 1987



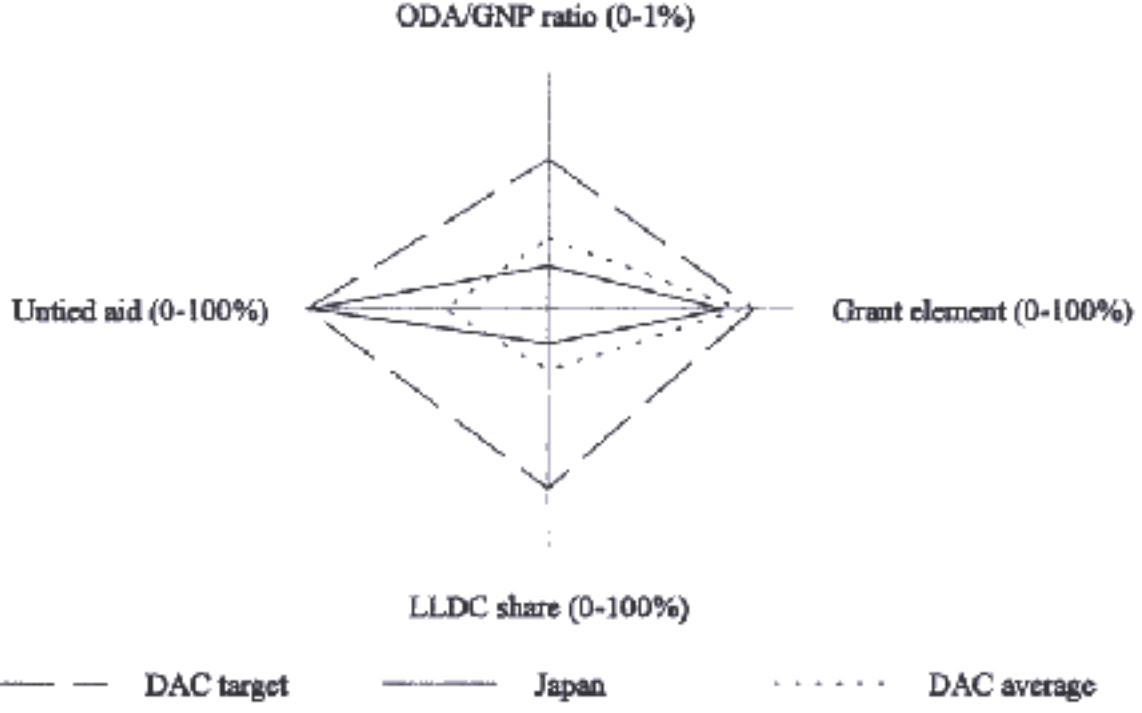
Aid diamond, Italy, 1996



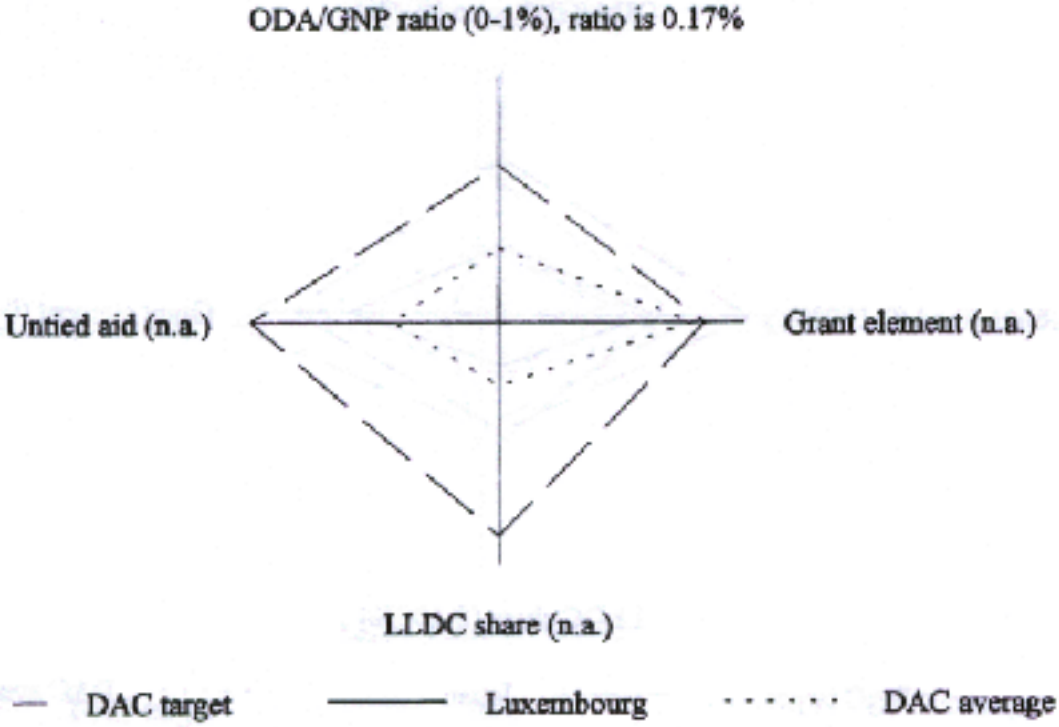
Aid diamond, Japan, 1987



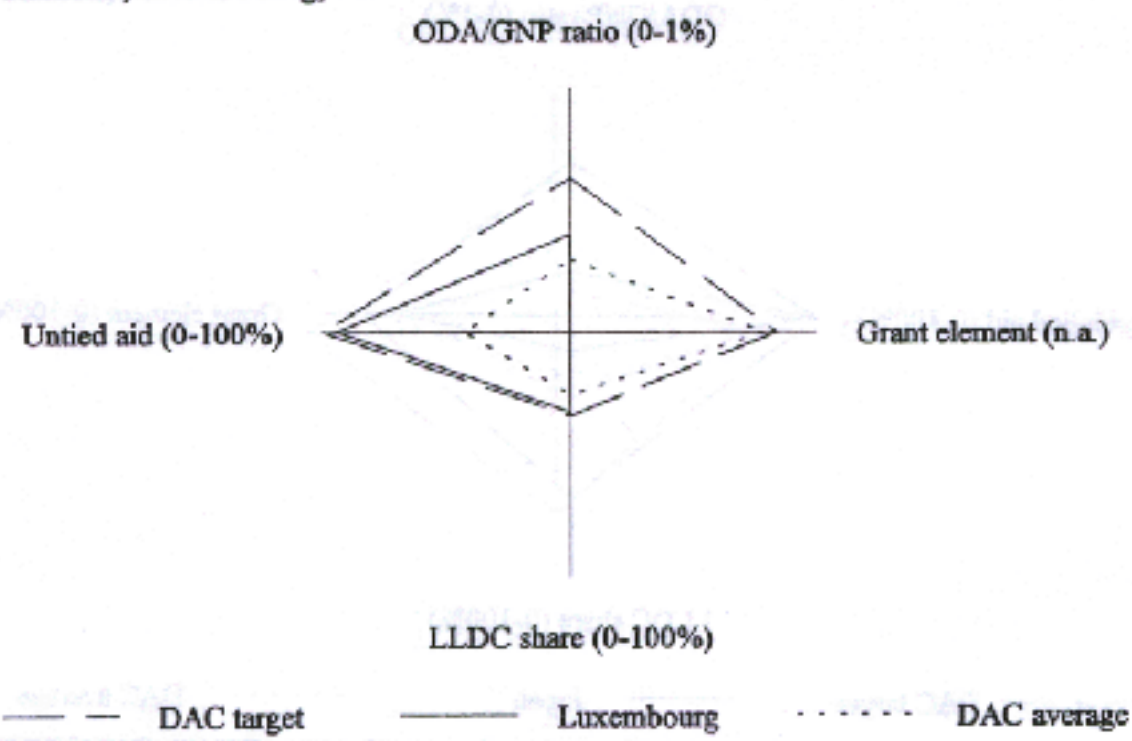
Aid diamond, Japan, 1996



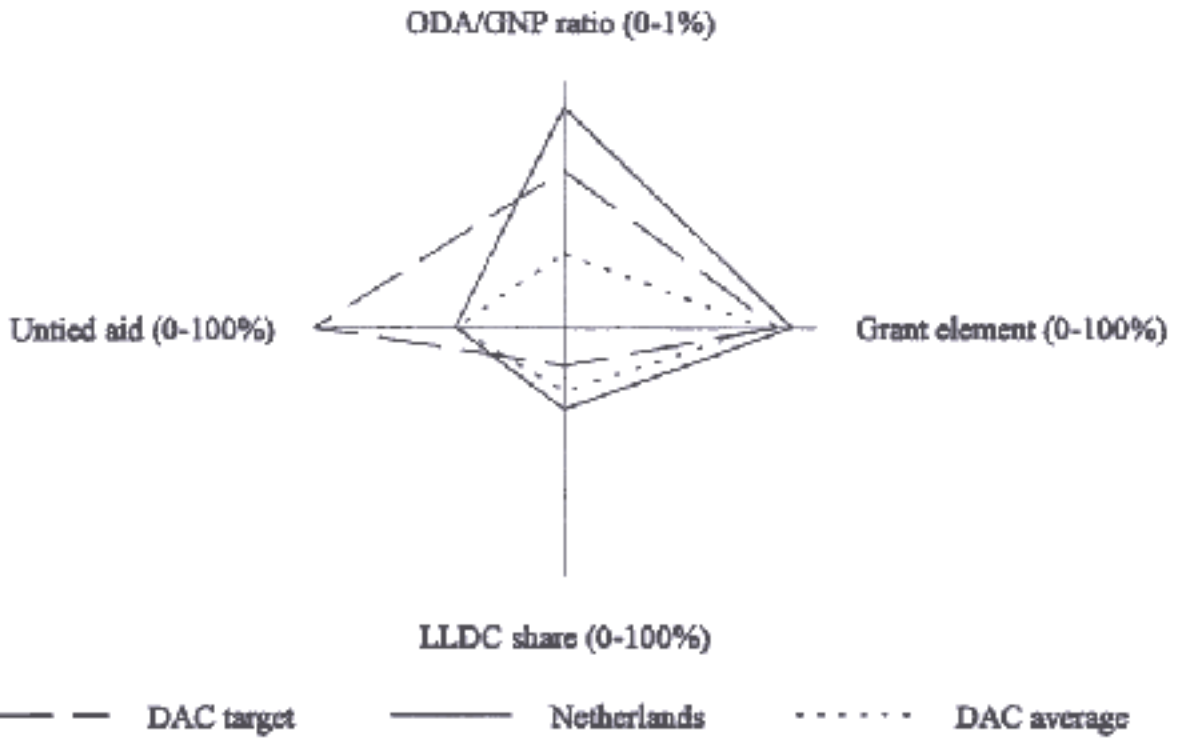
Aid diamond, Luxembourg, 1987



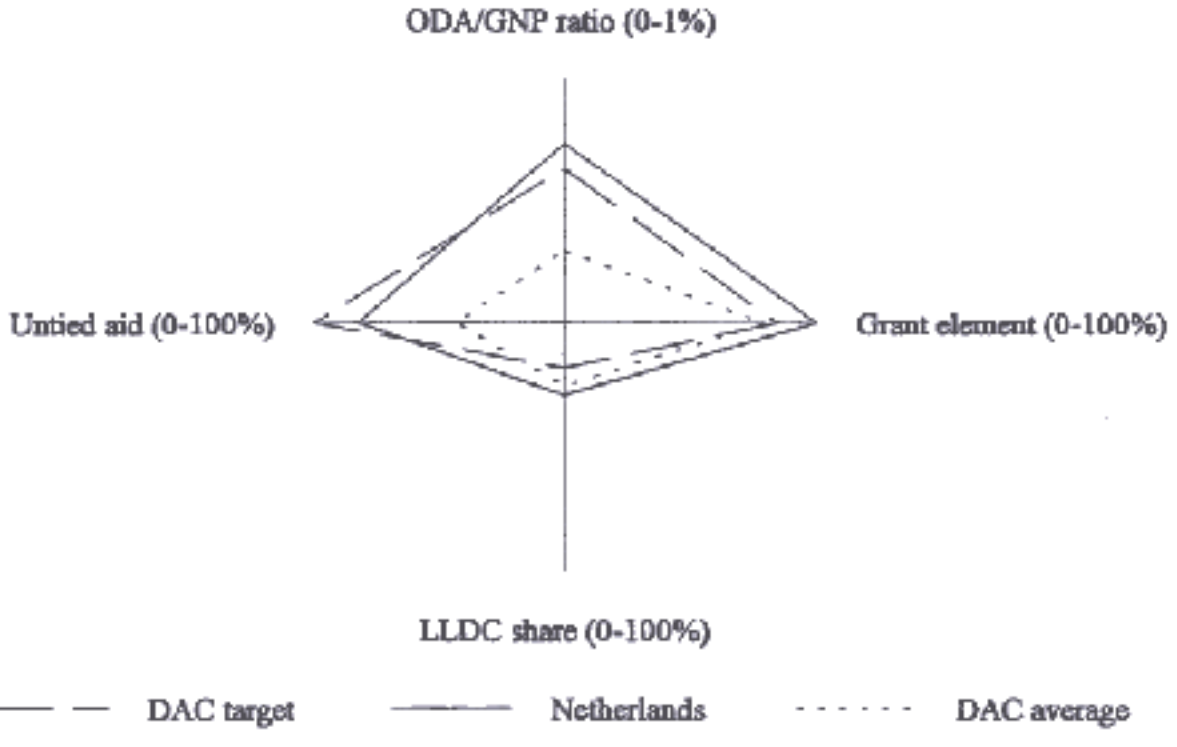
Aid diamond, Luxembourg, 1996



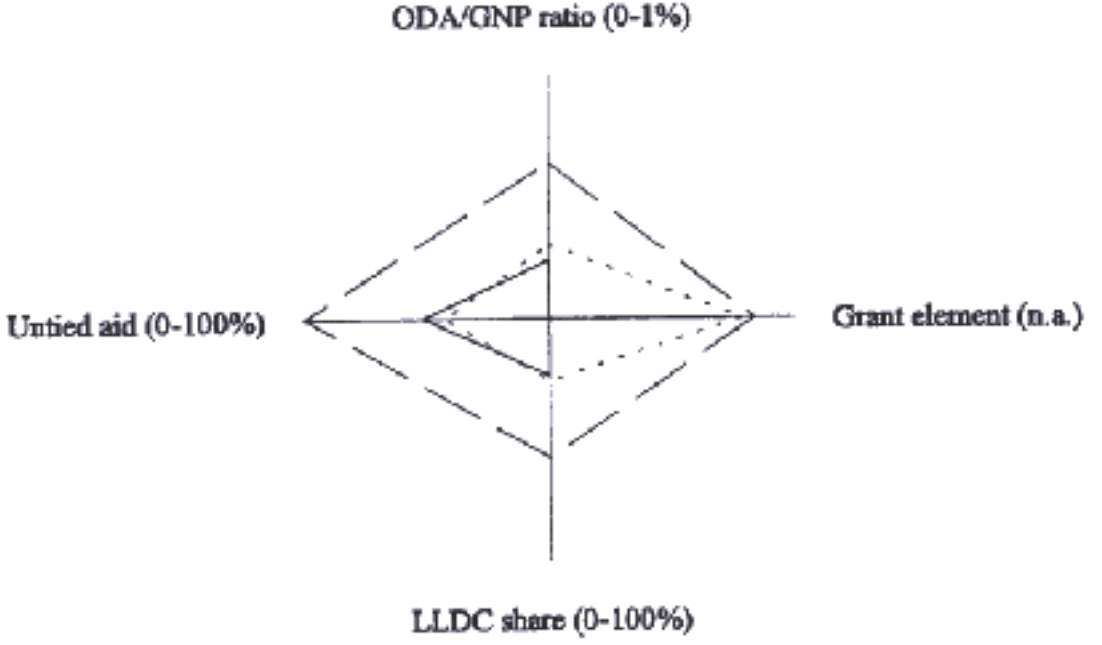
Aid diamond, Netherlands, 1987



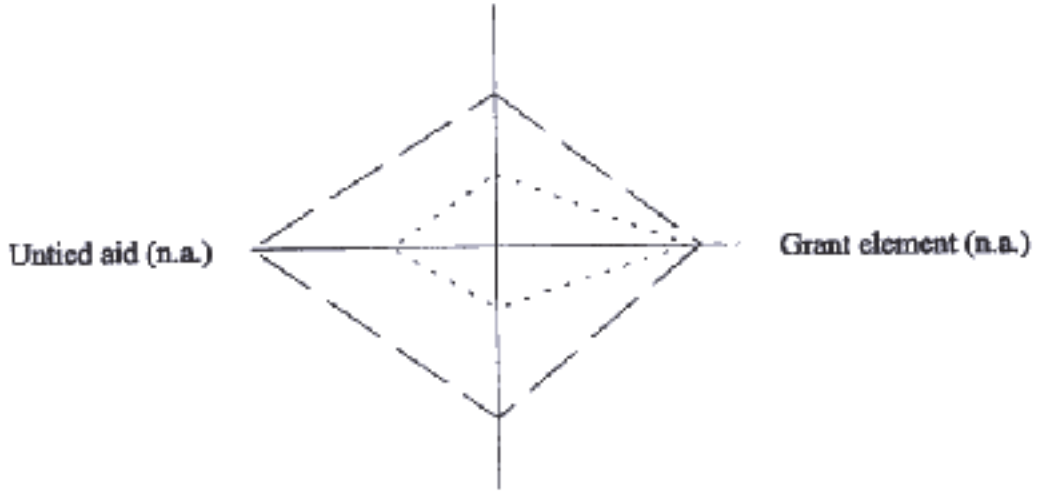
Aid diamond, Netherlands, 1996



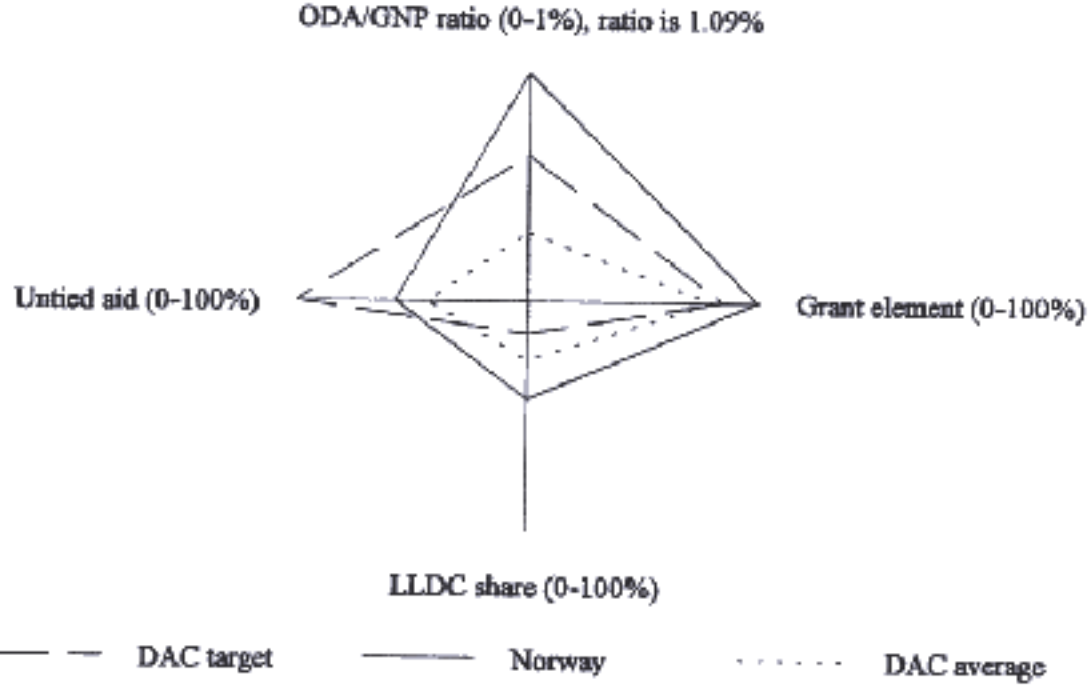
Aid diamond, New Zealand, 1987



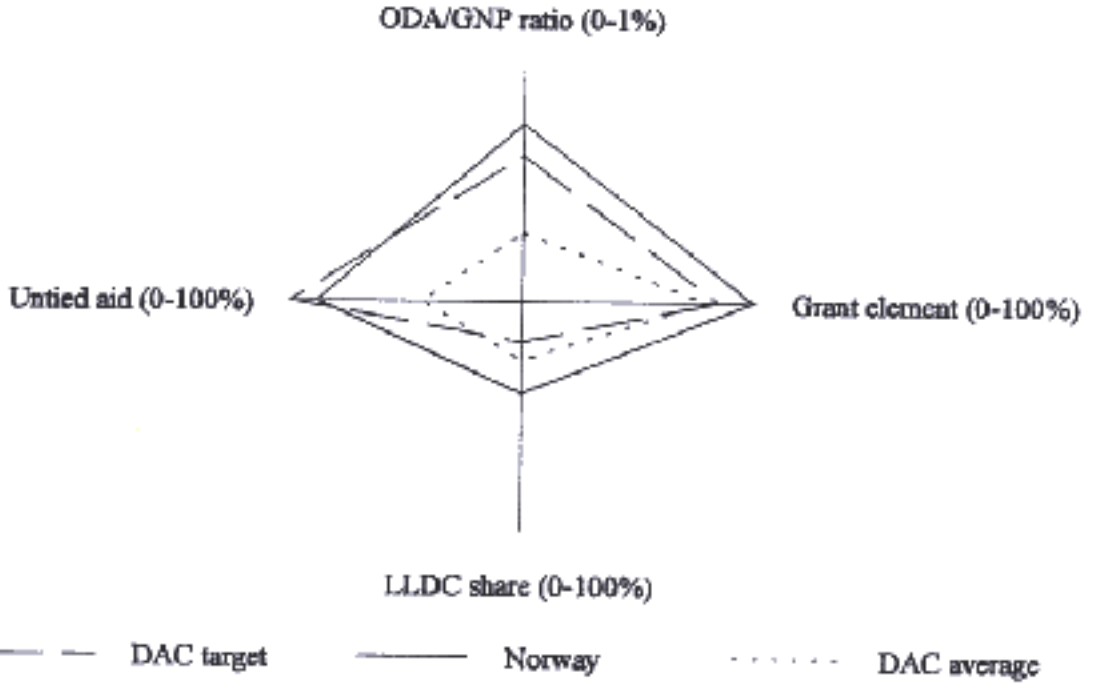
Aid diamond, New Zealand, 1996



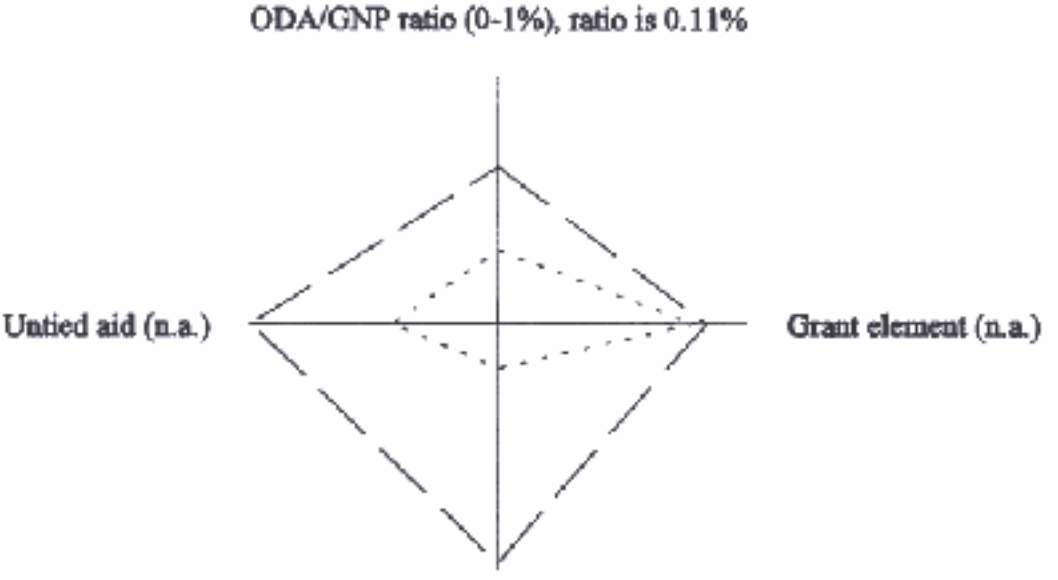
Aid diamond, Norway, 1987



Aid diamond, Norway, 1996



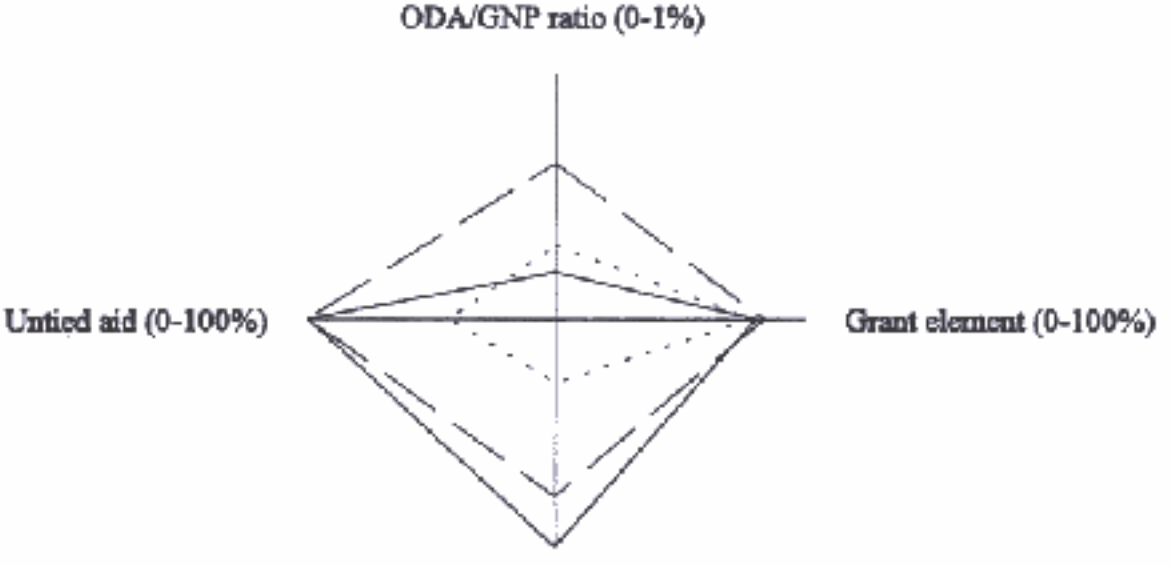
Aid diamond, Portugal, 1987



LLDC share ratio is 0.00% (target 136.4%) (only geographically unallocated aid was given)

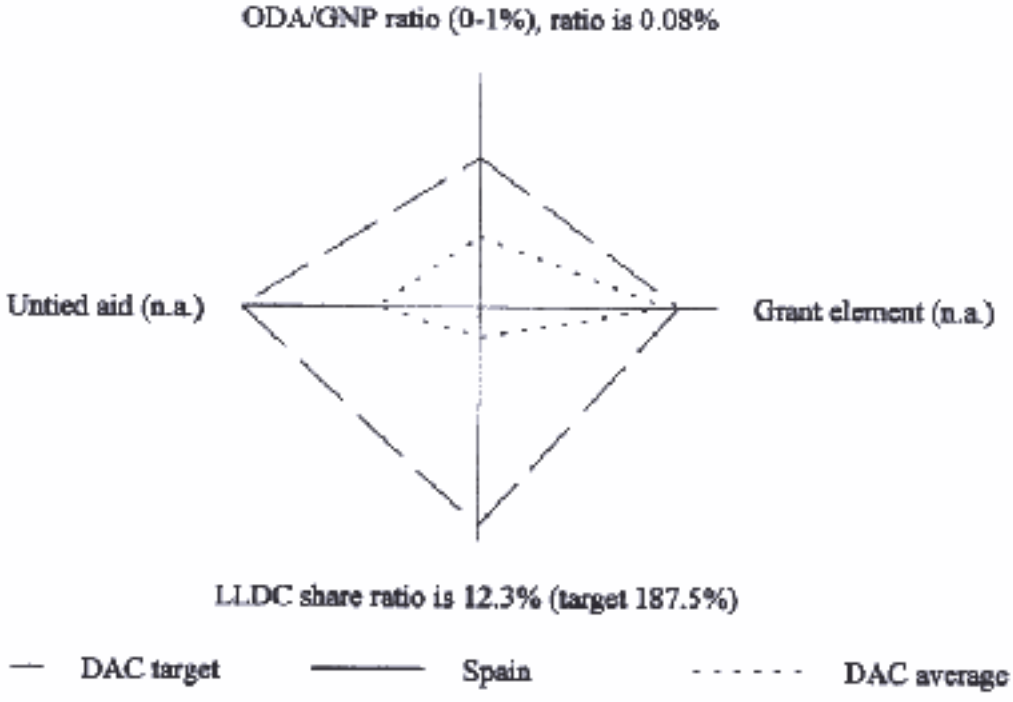
DAC target — Portugal ····· DAC average

Aid diamond, Portugal, 1996

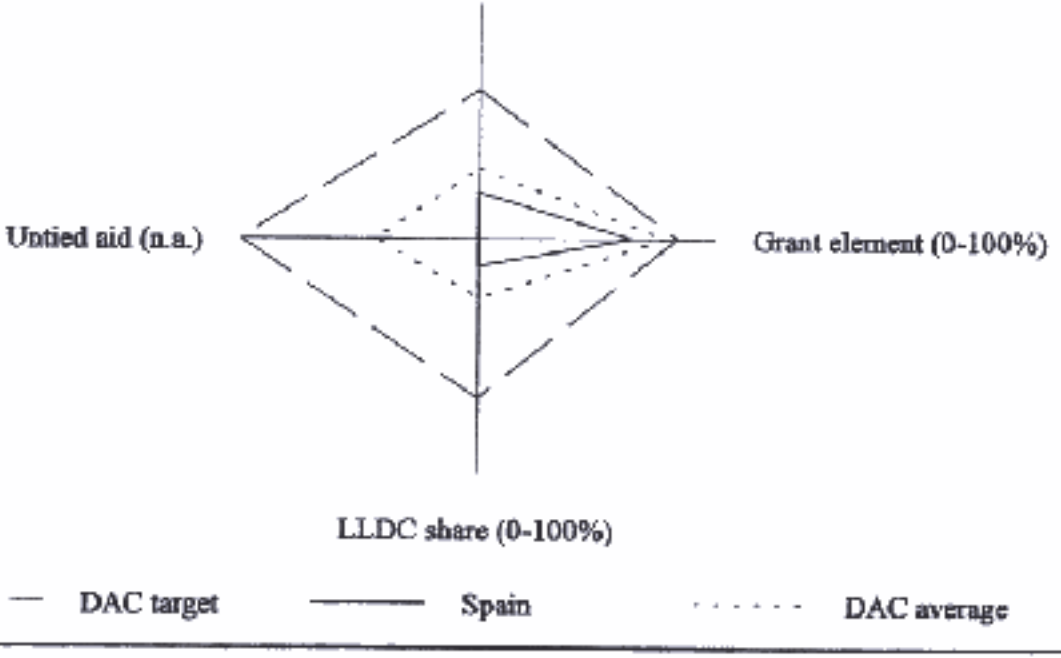


DAC target — Portugal ····· DAC average

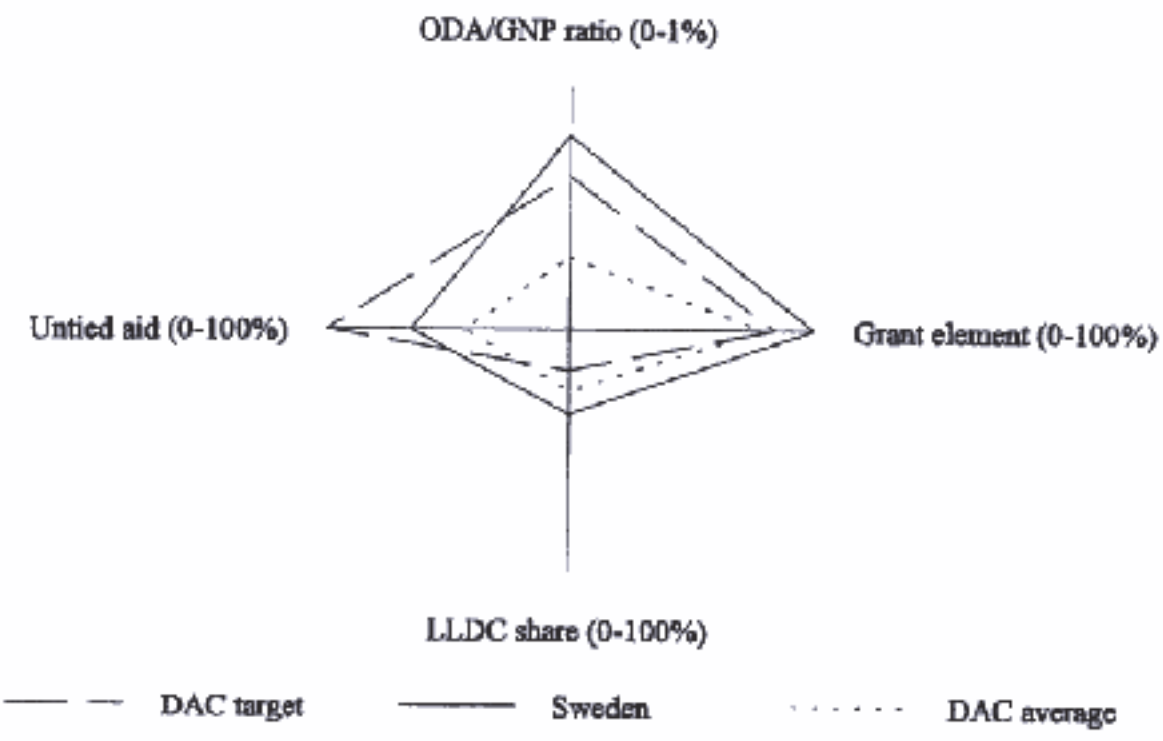
Aid diamond, Spain, 1987



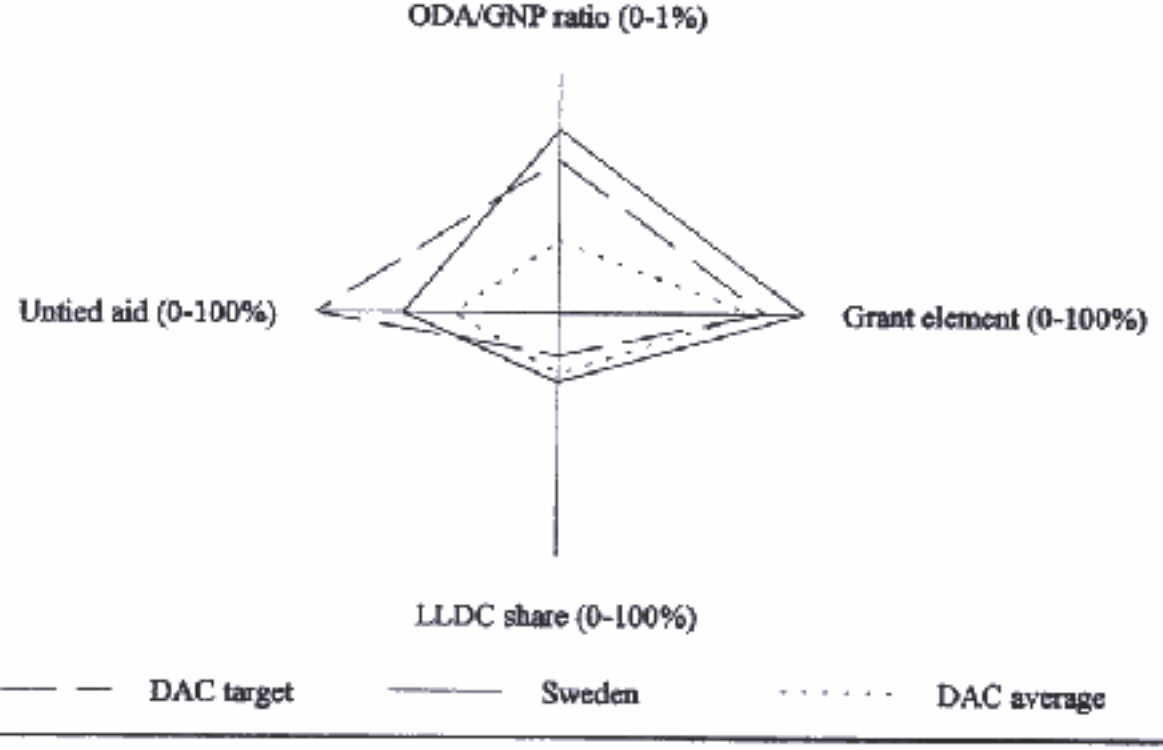
Aid diamond, Spain, 1996



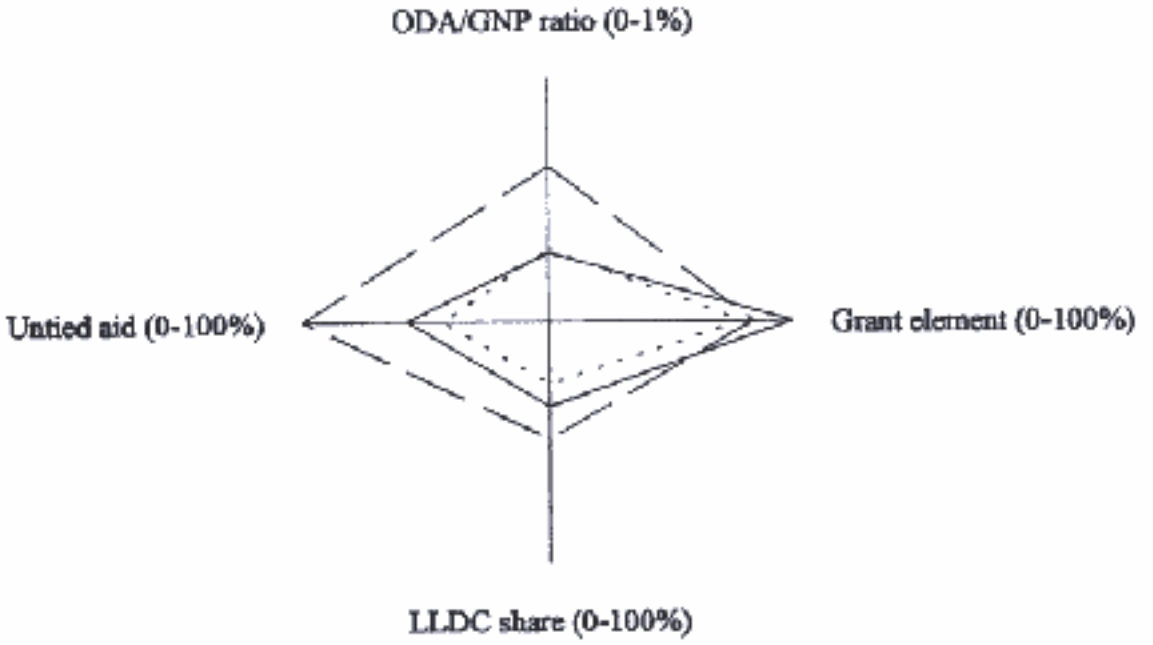
Aid diamond, Sweden, 1987



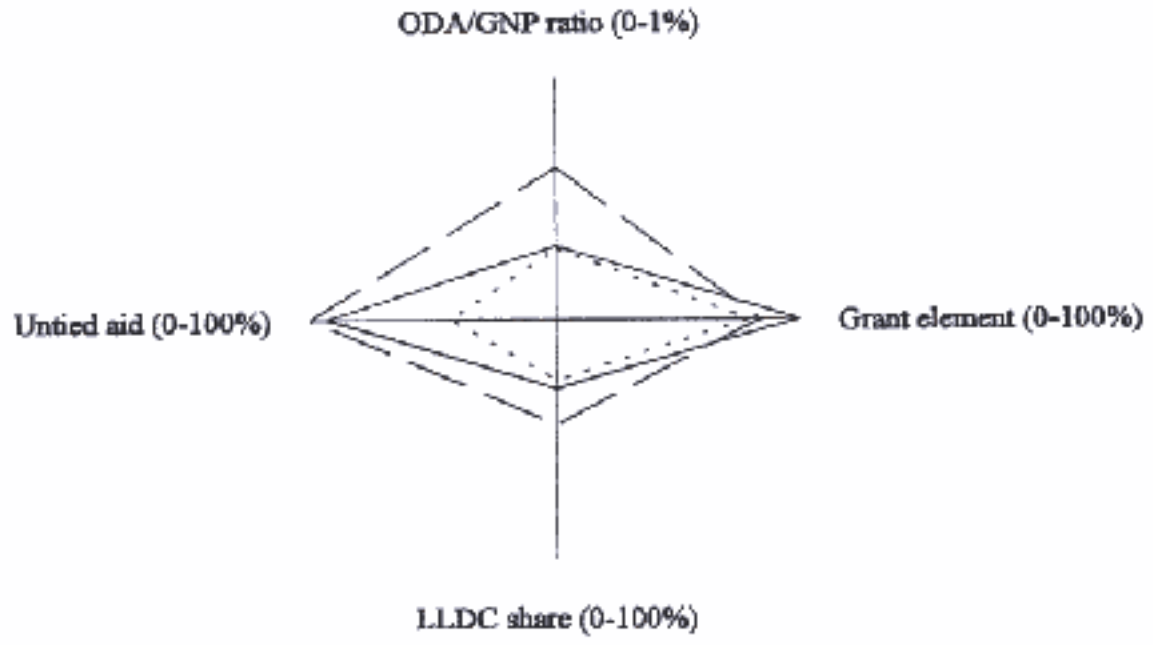
Aid diamond, Sweden, 1996



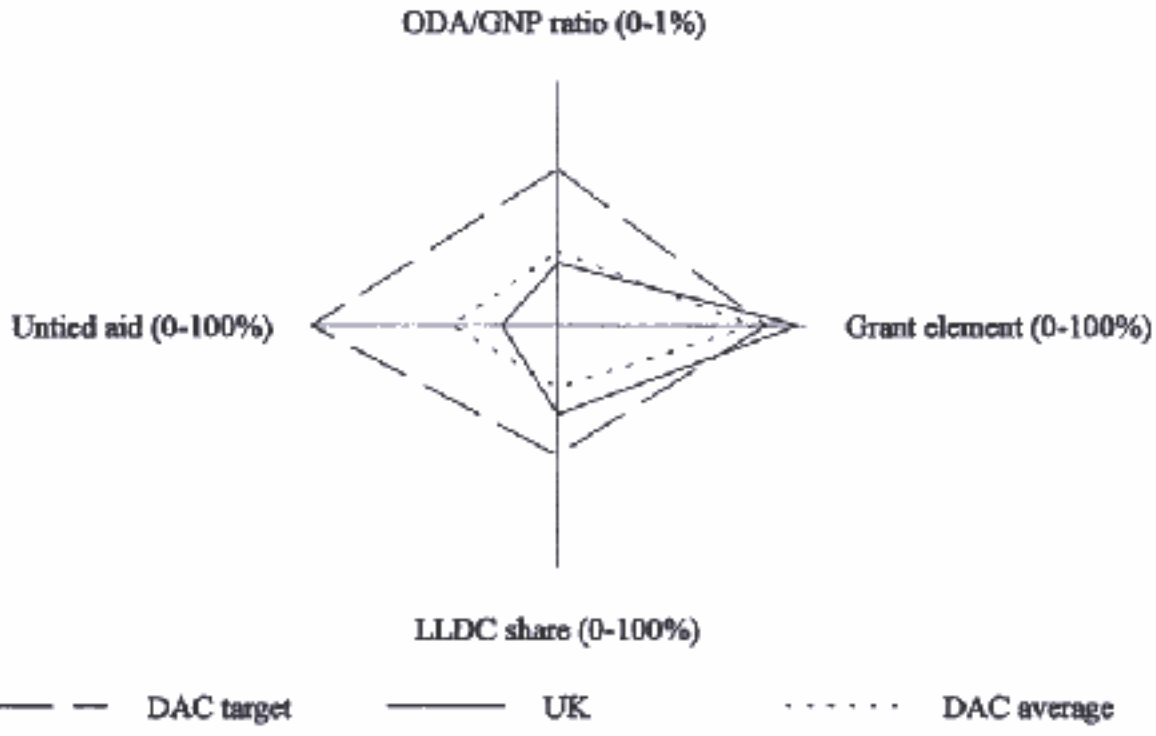
Aid diamond, Switzerland, 1987



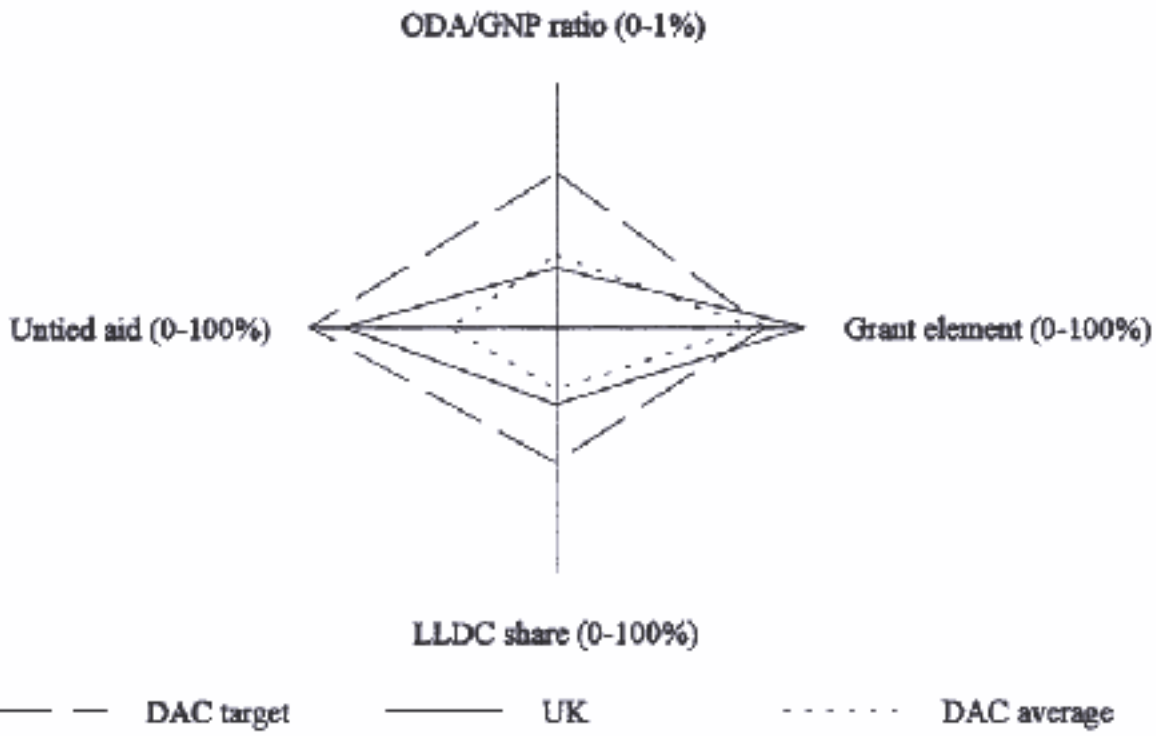
Aid diamond, Switzerland, 1996



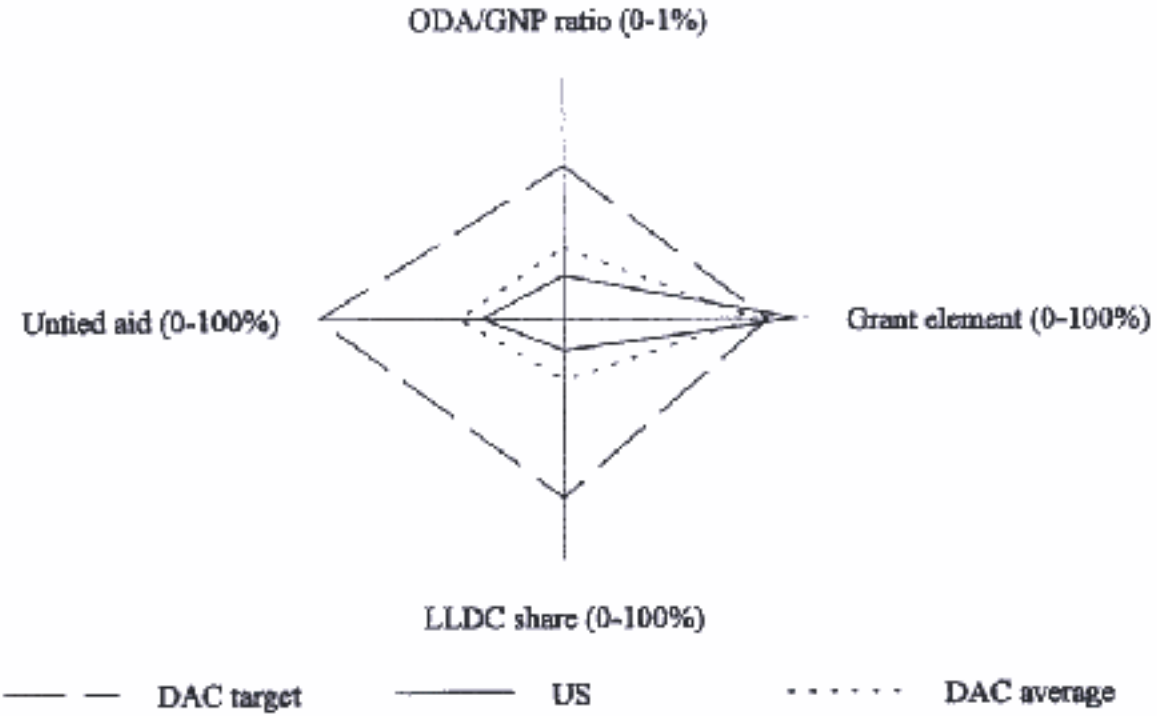
Aid diamond, United Kingdom, 1987



Aid diamond, United Kingdom, 1996



Aid diamond, United States, 1987



Aid diamond, United States, 1996